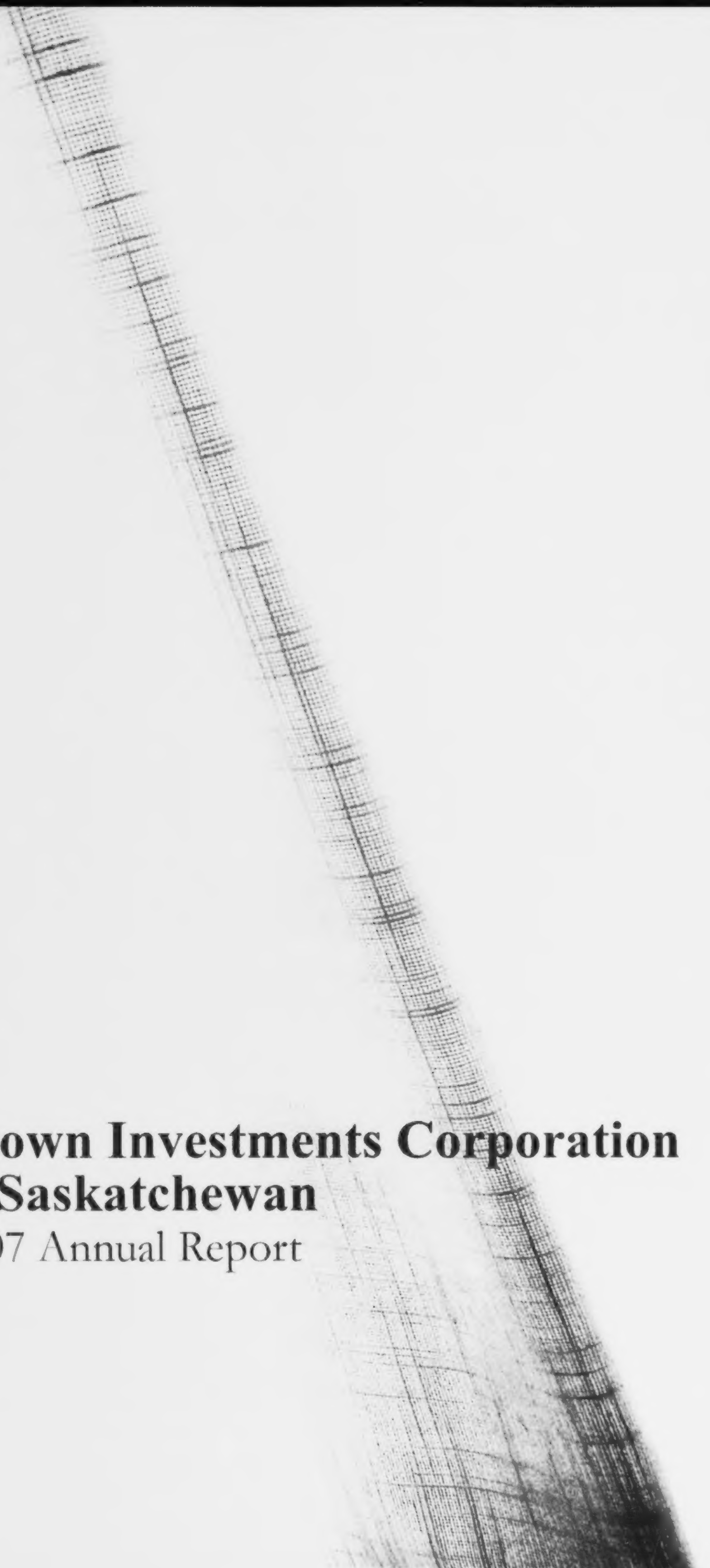


CIC

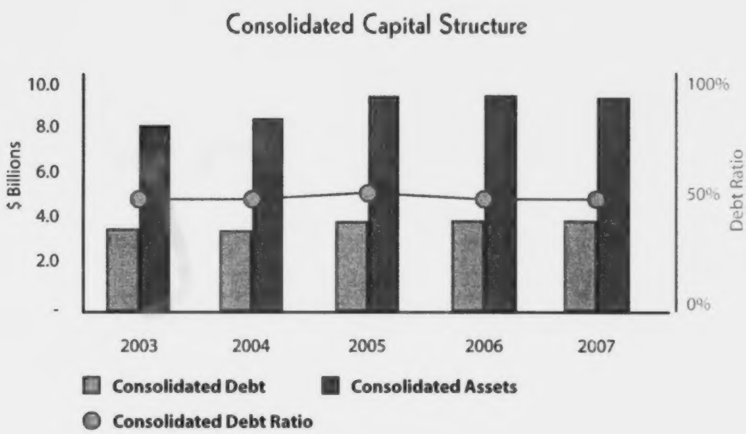
Crown Investments Corporation of Saskatchewan

2007 Annual Report

Financial Results

2007 Financial Highlights	
Assets	**$9.6 billion**
Consolidated debt	**$3.9 billion**
Debt ratio[1]	**49.6%**
Capital spending	**$1.8 billion**
Revenue	**$4.5 billion**
Net earnings	**$696.3 million**
Return on equity	**17.8%**
Dividend to the GRF	**$200.0 million**

[1] Debt ratio calculation is based on long-term debt and notes payable, and excludes current liabilities and discontinued operations.

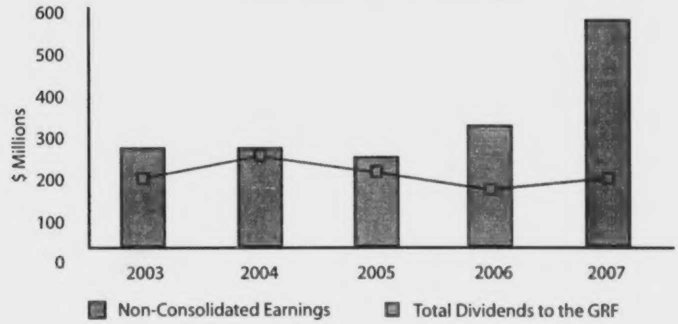


CIC's debt ratio has been relatively stable over the past several years, an indication of prudent fiscal management in the Crown sector.

CIC had strong earnings from ongoing operations in 2007.

In 2007, net earnings from ongoing operations excluded discontinued operations, income taxes and non-recurring items.

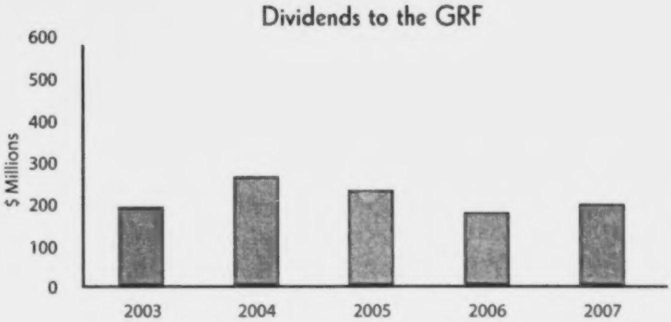
Non-Consolidated Earnings



CIC's non-consolidated earnings determine its capacity to pay dividends to the GRF.

In 2007, CIC had non-consolidated earnings of $576.9 million and declared a dividend to the GRF of $200.0 million.

Dividends to the GRF



CIC's solid financial performance has allowed it to declare dividends to the GRF of almost $1.2 billion over the past five years.

CIC

Table of Contents

Financial Results	Inside front cover
Letter of Transmittal	1
Chair's Message	2
President's Message	3
Corporate Profile and Governance	4
CIC's Holdings	8
Policy and Programs	16
Introduction to CIC's Financial Reporting	23
CIC Consolidated	31
CIC Non-Consolidated	103
Glossary	127
Directory	Inside back cover

Letter of Transmittal

Regina, Saskatchewan
March 31, 2008

To His Honour
The Honourable Gordon Barnhart
Lieutenant Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the thirtieth Annual Report of Crown Investments Corporation of Saskatchewan for the year ended December 31, 2007 in accordance with *The Crown Corporations Act, 1993*. The Consolidated and Non-Consolidated Financial Statements included in this Annual Report are in the form approved by the Treasury Board and have been reported on by our auditors.

I have the honour to be, Sir,

Your obedient servant,

Ken Cheveldayoff
Ken Cheveldayoff
Minister of Crown Corporations

Chair's Message

On November 21, 2007, I was pleased to accept my appointment as Minister of Crown Corporations. It will be an honour to serve the people of Saskatchewan and the new Government of Premier Brad Wall in this capacity. My portfolio includes CIC and most of its subsidiary Crowns: SaskPower, SaskTel, SaskEnergy, Saskatchewan Government Insurance, Saskatchewan Transportation Company, SaskWater, Information Services Corporation, and Saskatchewan Development Fund Corporation. I will also serve as Chair of the CIC Board of Directors.

My priority will be to ensure that Saskatchewan's Crown corporations are operated efficiently and provide high quality services at the lowest cost. Our Government made this promise to the people of Saskatchewan, and we will keep our promise.

My mandate also includes addressing specific issues within the Crown sector. Perhaps the most significant will be to ensure that SaskPower plays a leading role in providing consumers with low-cost power that reduces greenhouse gas emissions. SaskPower will do this by: using renewable power sources such as wind, hydro and new gas-fired turbines; purchasing more renewable energy and co-generated power from industrial sources; developing net metering, which allows homes and businesses to generate power from sources such as solar or wind, and sell the excess back to the provincial electrical grid; and ensuring that replacement power generation sources reduce the province's greenhouse gas emissions. We will also provide low interest loans to consumers who install geothermal heating and renewable power, and we will work with the Federal Government to examine a national energy grid to increase our generation options and enhance our energy security.

Other Crown initiatives will include: rebates from SGI on the cost to insure hybrid and high-fuel efficiency vehicles; expansion of SaskTel's high speed internet access and cellular coverage throughout the province; and development of an innovative telecommunications infrastructure in our post-secondary institutions.

Many of these commitments will present challenges, but we will keep the promises we have made to Saskatchewan people. Our Crown corporation sector will help ensure that our province is ready for the growth and prosperity that will continue to come from our booming economy. As you will see in this report, our Crown sector is financially healthy and ready to meet the challenges and opportunities of the coming years.

I am pleased to present CIC's 2007 Annual Report.

Ken Cheveldayoff

Ken Cheveldayoff
Minister of Crown Corporations
Chair of the CIC Board of Directors

President's Message

2007 was another solid year financially for Saskatchewan's Crown corporation sector.

CIC and its subsidiary Crowns posted net earnings of $696.3 million, an increase of $255.2 million from 2006 ($441.1 million). The higher profit was due mainly to the sale of CIC's 50 per cent interest in NewGrade Energy Inc., the heavy oil upgrader in Regina. The sale generated net proceeds of $383.1 million, resulting in a gain on sale of $250.1 million to consolidated results. There were also increased earnings at SaskPower, SaskEnergy, Information Services Corporation and SaskTel, which were partially offset by lower earnings at Investment Saskatchewan and SGI.

As a result of the higher earnings, the consolidated return on equity was 17.8 per cent in 2007, compared with 12.6 per cent in 2006.

Consolidated revenue of $4,455.6 million for 2007 was up $49.5 million from 2006 ($4,406.1 million). The increase was due mainly to higher operating revenue, which was the result of higher utility sales and insurance premiums. For example, SaskTel's strong customer growth in cellular, MAX™ entertainment and internet services resulted in a $57.8 million increase in sales, while SGI's insurance revenue increased by $17.1 million due to growth in premiums in the Saskatchewan and Alberta markets.

Earnings for CIC as the holding company, also referred to as non-consolidated earnings, were $576.9 million in 2007, an increase of $254.6 million from 2006 ($322.3 million). These earnings allowed CIC to declare a dividend of $200 million to the province's General Revenue Fund (GRF). In 2008, CIC will declare a dividend of $550 million to the GRF. That includes a regular dividend of $185 million and a special dividend of $365 million. The special dividend will be used for Government priorities: $215 million for debt reduction; $140 million for highways; and $10 million for green initiatives.

I would like to thank the staff at CIC and the employees in our subsidiary Crowns for their significant contributions to the financial success of our Crown corporation sector in 2007. We look forward to another successful year in 2008.

Ron Styles
President and CEO

Corporate Profile and Governance

CIC is the financially self-sufficient holding company for 11 subsidiary commercial Crown corporations. CIC's roots are in The Government Finance Office (GFO), which was established in 1947. The GFO's role was to act as a holding company for many of Saskatchewan's Crown corporations and to be a mechanism for developing broad policy control, directing investment, and routing dividends into the Provincial Government's consolidated fund. In 1978, the GFO was renamed Crown Investments Corporation of Saskatchewan. *The Crown Corporations Act, 1993*, is the current governing legislation.

To be the corporate leader, guiding and inspiring the most innovative Crown sector in Canada.

As the holding company, we deliver strategic shareholder direction to Saskatchewan's Crown corporations, and pursue initiatives that contribute to Saskatchewan's economic success.

Integrity: We are trustworthy, respectful of others, and accountable. We honour our commitments and conduct our business ethically.

Social responsibility: We demonstrate good corporate citizenship through volunteerism, diversity, sponsorship and environmental responsibility.

Excellence: We hold ourselves to the highest business standards, striving to achieve our full potential and inspiring others to attain theirs.

Leadership: We provide guidance and inspiration, valuing the contributions of our employees and partners. We work together to achieve our common objectives.

CIC Structure and Management

During 2007, CIC had 89 employees (includes Gradworks interns and co-op students) in its six divisions: President's Office; Capital Pension and Benefits Administration; Economic Initiatives; Finance and Administration; Labour and Aboriginal Initiatives; and Strategy and Governance. On March 24, 2008, the corporation was reorganized into five divisions: President's Office; Capital Pension and Benefits Administration; Crown Sector Initiatives; Finance and Administration; and Human Resources, Policy and Governance.

CIC's Executive [illegible]

Ron Styles, President and CEO
Blair Swystun, Vice President and Chief Financial Officer, Finance and Administration
Doug Kosloski, Vice President, Human Resources, Policy and Governance, and General Counsel
Karen Schmidt, Executive Director, Communications
Ken Klein, Executive Director, Capital Pension and Benefits Administration
Deb Kachluba, Director, Human Resources
Iain Harry, Special Advisor to the President

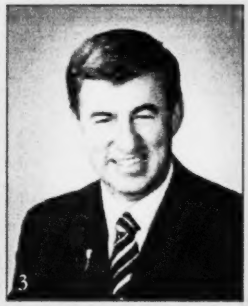
The responsibilities of CIC management are to:

- serve as staff to the CIC Board, providing analysis and recommendations on which informed decisions can be made;
- develop policy on Crown corporation and investment matters;
- serve as the CIC Board's communications link with Crown boards and management;
- co-ordinate the implementation of policy within the Crown sector;
- manage CIC's operations;
- take responsibility for the preparation, reliability and integrity of the financial statements; and
- monitor emerging issues in CIC's business environment.

CIC Board of Directors

1

2



3

The CIC Board of Directors is a key Cabinet committee which acts as a liaison between Cabinet and Crown corporations. The Board makes decisions in its own right, and forwards recommendations to Cabinet for consideration. The Board's key responsibilities are to:

- set strategic direction for the Crown sector;
- provide oversight to subsidiary Crown corporations by setting performance expectations, allocating capital within the sector, and monitoring and evaluating performance;
- provide oversight to CIC management by approving business plans and budgets, and monitoring and evaluating corporate performance; and
- act as an audit and finance committee by approving CIC's financial statements, and meeting with external auditors and the Provincial Auditor without management present.

The CIC Board met 15 times in 2007. The Board does not have any committees.

At December 31, 2007, the CIC Board consisted of three members of the Provincial Cabinet appointed by the Lieutenant Governor-in-Council:

Honourable Ken Cheveldayoff, Chair
Minister of Crown Corporations
(Appointed November 22, 2007)

Honourable Bill Boyd, Vice Chair
Minister of Energy and Resources and Minister Responsible for Intergovernmental Affairs
(Appointed December 6, 2007)

Honourable Ken Krawetz, Member
Deputy Premier and Minister of Education
(Appointed December 6, 2007)

The following Ministers served on the CIC Board of Directors during 2007:

Honourable Judy Junor, Chair (May 31 - November 7)
Minister of Crown Investments Corporation of Saskatchewan

Honourable Pat Atkinson, Vice Chair (May 31 - November 7)
Minister of Finance; Minister Responsible for SaskEnergy

Honourable Debra Higgins, Member (January 1 - November 7)
Minister of Learning; Minister Responsible for SaskTel

Honourable John Nilson, Q.C., Member (January 1 - November 7)
Minister of Environment; Minister Responsible for SaskPower

Honourable Harry Van Mulligen, Member (May 31 - November 7)
Minister of Government Relations; Minister Responsible for SGI

Honourable Maynard Sonntag, Chair (January 1 - May 31)
Minister of Crown Investments Corporation of Saskatchewan

Honourable Andrew Thomson, Vice Chair (January 1 - May 31)
Minister of Finance; Minister Responsible for SaskEnergy

Honourable Glenn Hagel, Member (January 1 - May 17)
Minister of Culture, Youth and Recreation; Minister Responsible for SGI

Governance of Subsidiary Crowns

CIC works with its subsidiary Crown corporation boards of directors to assist them in adopting and implementing high standards of corporate governance. CIC delivers centralized corporate secretarial and governance advisory services to the Crown boards, supports the boards in assessing their performance and implements programs to enhance their skill sets.

CIC has worked with the Crown Board Audit & Finance Committee Chairs Forum to monitor developments in audit committee functioning and financial reporting. In 2007, the Forum focused on development of a CEO/CFO Certification Policy for the Crown sector, and received detailed information on International Financial Reporting Standards and the work plan to implement them.

Open, timely and reliable communication is critical to effective governance. In 2007, CIC and its subsidiary Crown corporations shared information in a variety of ways, including: quarterly meetings between the chairs of the Crown boards and senior CIC officials; regular reports from the Crown board chairs to the CIC Board highlighting major Crown board activities, corporate initiatives and significant corporate risks; and meetings between the CIC President & CEO and the Presidents of the subsidiary Crowns.

CIC sponsors professional development opportunities for directors of the subsidiary Crown boards to enhance their corporate governance knowledge and maintain the necessary skills to provide effective oversight of corporate activities. In 2007, CIC organized sessions related to CIC's Executive Compensation Framework, best practices in setting performance metrics, effective performance management tools, essential skills for new directors, and financial literacy. The sessions were supported by quarterly distribution of reading materials on topical governance issues.

CIC's Holdings

History and Principles of Public Enterprise

Public enterprise began in Saskatchewan in 1901, when the territorial government began providing hail insurance for farmers. This led to other areas where government stepped in to provide essential services which were either not offered by private companies, or not available to all residents on a fair and equitable basis. These businesses established and owned by government became known as "Crown corporations".

The four guiding principles were that the services provided by these Crown corporations should be: universal, or available to everyone; reliable; of high quality; and offered at a reasonable cost. Today the priority of Saskatchewan's Crown corporations is still to serve Saskatchewan people first. The Crowns must balance public policy objectives with commercial and financial objectives. They are expected to contribute to the economy and to provide a good return on investment to their shareholders, the people of Saskatchewan.

2007 Summary Information

The following pages provide summary information for 2007 for each of CIC's wholly-owned subsidiary Crown corporations. Go to pages 46 to 61 for more detail, or refer to the Crowns' individual annual reports on their web sites.

In this section, "Total employees" includes all full-time, part-time, casual, temporary, and contract employees, as well as all interns, co-op and summer students who were employed by the Crown in Saskatchewan during the fiscal year. We use the same definition for "Employees" in the Economic Contribution section on page 14. On pages 47 to 55, we provide five-year comparisons of permanent full-time employees for SaskPower, SaskTel, SaskEnergy and SGI.

Information Services Corporation of Saskatchewan (ISC)

2007 Overview

Acting President	Scott Hodson
Total employees	267
Assets	$46.8 million
Revenue	$62.6 million
Profit	$23.0 million
Web site	www.isc.ca
Inquiry	1-866-275-4721

Information Services Corporation (ISC) of Saskatchewan is the provincial Crown corporation responsible for the administration of land titles, geographic information systems, surveys, mapping and interests in personal property.

ISC was formed as a corporation in January 2000, but has a history that predates the province itself. ISC provides valued customer-focused services such as the Land Registry, the Saskatchewan Personal Property Registry, the Survey Plan Registry, and Geomatics services to customers inside and outside of Saskatchewan.

Investment Saskatchewan Inc. (IS)

Investment Saskatchewan Inc.

2007 Overview

Managing Director	Cliff Baylak
Total employees	9
Assets	$652.5 million
Revenue	$217.2 million
Profit	$11.5 million
Web site	www.investsask.com
Inquiry	(306) 787-7200

The mandate of Investment Saskatchewan (IS) is to enhance Saskatchewan's long term economic growth and diversification through the provision of investment capital and financing and to ensure prudent management of commercially viable investments. IS was formerly known as CIC Industrial Interests Inc. It became a stand alone subsidiary in 2003. The corporation complements the capacity of private sector fund managers through contracting out investment management services.

Saskatchewan Development Fund Corporation (SDFC)

Saskatchewan Development Fund Corporation

2007 Overview

Acting General Manager	John Amundson
Assets	$2.8 million
Revenue	$153.1 thousand
Profit	$73.8 thousand
Year end market value of the Mutual Fund	$3.2 million
Inquiry	(306) 787-1645

Note: The corporation has no direct employees. CIC staff provide executive and administrative services to the corporation. The corporation does not maintain a web site. For a copy of its 2007 annual report, call (306) 787-1645.

Saskatchewan Development Fund Corporation was established in 1974 to manage a mutual fund open to investment by Saskatchewan residents. The corporation later expanded its product line by offering: RRSPs, Deferred Profit Sharing Plans and term-certain annuities. By 1982 the mutual and annuity funds had grown to a combined total of about $42 million. In 1983 the corporation discontinued the sale of new investments. Since then, it has focused on meeting the needs of the remaining clients and on the orderly wind-down of the remaining assets.

CIC's Holdings

History and Principles of Public Enterprise

Public enterprise began in Saskatchewan in 1901, when the territorial government began providing hail insurance for farmers. This led to other areas where government stepped in to provide essential services which were either not offered by private companies, or not available to all residents on a fair and equitable basis. These businesses established and owned by government became known as "Crown corporations".

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Information Services Corporation of Saskatchewan (ISC)

Information Services Corporation OF SASKATCHEWAN

2007 Overview

Acting President	Scott Hodson
Total employees	267
Assets	$46.8 million
Revenue	$62.6 million
Profit	$23.0 million
Web site	www.isc.ca
Inquiry	1-866-275-4721

Information Services Corporation (ISC) of Saskatchewan is the provincial Crown corporation responsible for the administration of land titles, geographic information systems, surveys, mapping and interests in personal property.

ISC was formed as a corporation in January 2000, but has a history that predates the province itself. ISC provides valued customer-focused services such as the Land Registry, the Saskatchewan Personal Property Registry, the Survey Plan Registry, and Geomatics services to customers inside and outside of Saskatchewan.

Investment Saskatchewan Inc. (IS)

2007 Overview

Managing Director	Cliff Baylak
Total employees	9
Assets	$652.5 million
Revenue	$217.2 million
Profit	$11.5 million
Web site	www.investsask.com
Inquiry	(306) 787-7200

The mandate of Investment Saskatchewan (IS) is to enhance Saskatchewan's long term economic growth and diversification through the provision of investment capital and financing and to ensure prudent management of commercially viable investments. IS was formerly known as CIC Industrial Interests Inc. It became a stand alone subsidiary in 2003. The corporation complements the capacity of private sector fund managers through contracting out investment management services.

Saskatchewan Development Fund Corporation (SDFC)

2007 Overview

Acting General Manager	John Amundson
Assets	$2.8 million
Revenue	$153.1 thousand
Profit	$73.8 thousand
Year end market value of the Mutual Fund	$3.2 million
Inquiry	(306) 787-1645

Note: The corporation has no direct employees. CIC staff provide executive and administrative services to the corporation. The corporation does not maintain a web site. For a copy of its 2007 annual report, call (306) 787-1645.

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Saskatchewan Government Growth Fund Management Corporation (SGGF MC)

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

2007 Overview

Acting President	John Amundson
Assets	$2.9 million
Revenue	$0.9 million
Loss	$0.8 million
Total assets under management	$36.4 million
Web site	www.sggfmc.com
Inquiry	(306) 787-7259

Note: SGGF MC has no direct employees. CIC staff provide executive and administrative services to the corporation.

Saskatchewan Government Growth Fund Management Corporation (SGGF MC) is a wholly-owned subsidiary of CIC which was established in 1989. It has operated under the federal government's Immigrant Investor Program (IIP), creating and managing subsidiary fund companies to raise venture capital from new Canadian immigrants. The IIP ended on March 31, 1999, but the capital raised will need to be managed for at least the next three years. Management services were contracted to Crown Capital Partners Inc. in 2000.

Saskatchewan Government Insurance (SGI)

SGI

2007 Overview

	SGI CANADA	Auto Fund
President	Jon Schubert	
Total employees	1,878	
Assets	$707.2 million	$1.4 billion
Revenue	$342.3 million	$669.2 million
Profit	$35.1 million	$32.0 million
Web site	www.sgicanada.ca	www.sgi.sk.ca
Inquiry	1-800-667-9868	

Saskatchewan Government Insurance (SGI) was established in 1945 to provide affordable, quality insurance to Saskatchewan people. Under the trade name SGI CANADA, which is a wholly-owned subsidiary of CIC, it conducts a competitive property and casualty insurance business in seven Canadian provinces. It offers a comprehensive line of home, tenant, farm, automobile extension and commercial coverage.

SGI also administers the Saskatchewan Auto Fund, the province's compulsory auto insurance program and the provider of its driver's licensing and vehicle registration system. The Auto Fund is a not for profit operation which does not receive money from, or pay dividends to, the province.

Saskatchewan Opportunities Corporation (SOCO)

2007 Overview

President	Douglas Tastad
Total employees	142
Assets	$51.7 million
Revenue	$25.4 million
Profit	$3.7 million
Web site	www.innovationplace.com
Inquiry	(306) 933-6295

Saskatchewan Opportunities Corporation (SOCO) is a wholly-owned subsidiary of CIC which was established in 1994.

SOCO's mission is to support the growth and success of Saskatchewan's technology sector. It fulfills this mission through the development and operation of research parks on the campuses of the province's two universities in Saskatoon and Regina, as well as a forest sector building in downtown Prince Albert.

Saskatchewan Power Corporation (SaskPower)

2007 Overview

President	Patricia Youzwa
Total employees	3,202
Assets	$4.5 billion
Revenue	$1.5 billion
Profit	$138.3 million
Web site	www.saskpower.com
Inquiry	1-888-757-6937

SaskPower is a wholly-owned subsidiary of CIC that was established as the Saskatchewan Power Commission in 1929. Its purpose is to provide safe, reliable and sustainable power to Saskatchewan people in a cost-effective manner. The corporation provides services to more than 451,000 residential, farm, commercial, oilfield, power and reseller customers.

SaskPower operates three coal-fired power stations, seven hydroelectric stations, four natural gas stations and two wind facilities, with an aggregate generating capacity of 3,214 megawatts (MW). SaskPower also has contracted capacity of 454 MW. Total available capacity is 3,668 MW.

SaskPower maintains more than 155,000 kilometres of power lines, 52 high voltage switching stations and 175 distribution substations. It also has interconnected transmission lines at the borders of Alberta, Manitoba and North Dakota to sell excess product or import power to meet demands at home.

Saskatchewan Government Growth Fund Management Corporation (SGGF MC)

SASKATCHEWAN GOVERNMENT GROWTH FUND
MANAGEMENT CORPORATION

2007 Overview

Acting President	John Amundson
Assets	$2.9 million
Revenue	$0.9 million
Loss	$0.8 million
Total assets under management	$36.4 million
Web site	www.sggfmc.com
Inquiry	(306) 787-7259

Note: SGGF MC has no direct employees. CIC staff provide executive and administrative services to the corporation.

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Saskatchewan Power Corporation (SaskPower)

SaskPower

2007 Overview

President	Patricia Youzwa
Total employees	3,202
Assets	$4.5 billion
Revenue	$1.5 billion
Profit	$138.3 million
Web site	www.saskpower.com
Inquiry	1-888-757-6937

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SaskPower maintains more than 155,000 kilometres of power lines, 52 high voltage switching stations and 175 distribution substations. It also has interconnected transmission lines at the borders of Alberta, Manitoba and North Dakota to sell excess product or import power to meet demands at home.

Saskatchewan Telecommunications (SaskTel)

2007 Overview

President	Robert Watson
Total employees	5,209*
Assets	$1.3 billion
Revenue	$1.1 billion
Profit	$84.1 million
Web site	www.sasktel.com
Inquiry	1-800-727-5835

* Includes 526 people who were employed by the company outside Saskatchewan.

SaskTel is a wholly-owned subsidiary of CIC. It is the leading full service communications provider in Saskatchewan, offering competitive voice, data, dial-up and high speed internet, entertainment and multimedia services, security, web hosting, text and messaging services, and cellular and wireless data services over its digital networks.

SaskTel also provides security monitoring services through SecurTek, directory services through DirectWest, in-room communications services to the healthcare sector through Hospitality Network, telecommunications consulting service through SaskTel International, and has an out-of-province sales and service channel in Alberta and British Columbia. SaskTel subsidiaries have a significant presence throughout Canada and internationally.

Saskatchewan Transportation Company (STC)

STC The Bus Company

2007 Overview

President	Ray Clayton
Total employees	238
Assets	$39.0 million
Revenue	$16.1 million
Loss before grant	$6.7 million
Web site	www.stcbus.com
Inquiry	(306) 787-3347

Saskatchewan Transportation Company (STC) is a wholly-owned subsidiary of CIC. The mandate of the company is essentially the same today as it was when it was established in 1946 – the provision of transportation and express services to as many communities as possible throughout Saskatchewan. Because many of the bus routes do not have sufficient passenger numbers or express volumes to enable the company to recover all of its costs, the company must be subsidized to enable services to be maintained.

STC owns and operates depots in Regina, Saskatoon and Prince Albert, and has a network of 191 agencies throughout the province. It operates 28 bus routes, travels about 3.1 million miles per year, and serves 278 communities.

The company's goals are to continue to provide safe, courteous, reliable and affordable service to as much of the province as is practical, and to increase the customer base as much as possible, while minimizing the subsidy that is required.

Saskatchewan Water Corporation (SaskWater)

SaskWater
The Quality Advantage

2007 Overview

President	Stuart Kramer
Total employees	95
Assets	$77.1 million
Revenue	$19.6 million
Loss before grant	$0.6 million
Web site	www.saskwater.com
Inquiry	1-888-230-1111

SaskWater is a wholly-owned subsidiary of CIC which was established in 1984. SaskWater's mandate was revised in 2002 to serve as Saskatchewan's Crown water utility. The corporation is headquartered in Moose Jaw.

SaskWater designs, builds, owns and operates water supply and wastewater systems, providing quality water and cost-effective wastewater services to Saskatchewan industries, municipalities, First Nations and rural water user groups.

SaskWater owns seven water treatment plants, three wastewater facilities, 31 pump stations and more than 800 kilometres of pipeline. The corporation also operates customer-owned systems and provides operating training to 39 Saskatchewan First Nations communities.

SaskEnergy Incorporated (SaskEnergy)

SaskEnergy

2007 Overview

President	Doug Kelln
Total employees	1,100
Assets	$1.4 billion
Revenue	$1.2 billion
Profit	$88.1 million
Web site	www.saskenergy.com
Inquiry	1-800-567-8899

Saskatchewan's provincially owned natural gas system began operations in 1952. SaskEnergy, which is a wholly-owned subsidiary of CIC, was formed in 1988 to continue providing natural gas transmission and distribution services across the province.

The system has grown substantially over the years, with service now extended to more than 90 per cent of Saskatchewan communities. Today SaskEnergy provides safe, reliable and economical natural gas service to more than 336,000 residential, farm, commercial and industrial customers in the province.

Saskatchewan Telecommunications (SaskTel)

SaskTel

2007 Overview

President	Robert Watson
Total employees	5,209*
Assets	$1.3 billion
Revenue	$1.1 billion
Profit	$84.1 million
Web site	www.sasktel.com
Inquiry	1-800-727-5835

* Includes 526 people who were employed by the company outside Saskatchewan.

SaskTel is a wholly-owned subsidiary of CIC. It is the leading full service communications provider in Saskatchewan, offering competitive voice, data, dial-up and high speed internet, entertainment and multimedia services, security, web hosting, text and messaging services, and cellular and wireless data services over its digital networks.

SaskTel also provides security monitoring services through SecurTek, directory services through DirectWest, in-room communications services to the healthcare sector through Hospitality Network, telecommunications consulting service through SaskTel International, and has an out-of-province sales and service channel in Alberta and British Columbia. SaskTel subsidiaries have a significant presence throughout Canada and internationally.

Saskatchewan Transportation Company (STC)

STC
The Bus Company

2007 Overview

President	Ray Clayton
Total employees	238
Assets	$39.0 million
Revenue	$16.1 million
Loss before grant	$6.7 million
Web site	www.stcbus.com
Inquiry	(306) 787-3347

Saskatchewan Transportation Company (STC) is a wholly-owned subsidiary of CIC. The mandate of the company is essentially the same today as it was when it was established in 1946 – the provision of transportation and express services to as many communities as possible throughout Saskatchewan. Because many of the bus routes do not have sufficient passenger numbers or express volumes to enable the company to recover all of its costs, the company must be subsidized to enable services to be maintained.

STC owns and operates depots in Regina, Saskatoon and Prince Albert, and has a network of 191 agencies throughout the province. It operates 28 bus routes, travels about 3.1 million miles per year, and serves 278 communities.

The company's goals are to continue to provide safe, courteous, reliable and affordable service to as much of the province as is practical, and to increase the customer base as much as possible, while minimizing the subsidy that is required.

Saskatchewan Water Corporation (SaskWater)

SaskWater
The Quality Advantage

2007 Overview

President	Stuart Kramer
Total employees	95
Assets	$77.1 million
Revenue	$19.6 million
Loss before grant	$0.6 million
Web site	www.saskwater.com
Inquiry	1-888-230-1111

SaskWater is a wholly-owned subsidiary of CIC which was established in 1984. SaskWater's mandate was revised in 2002 to serve as Saskatchewan's Crown water utility. The corporation is headquartered in Moose Jaw.

SaskWater designs, builds, owns and operates water supply and wastewater systems, providing quality water and cost-effective wastewater services to Saskatchewan industries, municipalities, First Nations and rural water user groups.

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Economic Contribution of the Crown Sector

This section shows the contribution of the provincial Crown corporation sector (CIC and its subsidiary Crowns) to Saskatchewan's economy. We have included a Crown in a category only if it has something to report in that category. For example, we have excluded CIC from the Partners and Capital spending categories. SGGF MC and SDFC have been excluded from all categories. The numbers for SGI include SGI CANADA and the Auto Fund.

Employees	Regina	Rest of province	Total
SaskPower	1,294	1,908	3,202
SaskTel	2,768	1,915	4,683*
SaskEnergy	466	634	1,100
SGI	1,410	468	1,878
STC	122	116	238
SOCO	23	119	142
SaskWater	12	83	95
ISC	219	48	267
IS	9	0	9
CIC	86	3	89
Total	6,409	5,294	11,703

* SaskTel also employs 526 people outside the province, for a total of 5,209 employees. That brings the total number of Crown employees to 12,229 in 2007.

Employees: Includes all full-time, part-time, casual, temporary, and contract employees, as well as all interns, co-op and summer students who were employed by the Crown in Saskatchewan during the fiscal year.

Local purchasing	
SaskPower	$773.7 million
SaskTel	$642.0 million
SaskEnergy	$179.2 million
SGI	$302.1 million
STC	$34.8 million
SOCO	$36.9 million
SaskWater	$20.0 million
ISC	$14.9 million
IS	$7.8 million
CIC	$12.8 million
Total	$2.02 billion

Local purchasing: The purpose is to show the effect of Crown spending on communities. The totals for each Crown show the amount spent on goods and services from Saskatchewan suppliers. They also include employee earnings, a significant portion of which is spent in the employee's community.

Suppliers supported	
SaskPower	4,749
SaskTel	4,679
SaskEnergy	3,725
SGI	5,191
STC	1,187
SOCO	759
SaskWater	153
ISC	405
IS	144
CIC	310
Total	21,302

Suppliers supported: This includes the number of Saskatchewan-based suppliers from whom each Crown made significant purchases of goods and services. It does not include smaller purchases such as restaurant meals.

Partners	Number	Type
SaskTel	128	dealers
SaskEnergy	134	residential network members
	32	commercial network members
SGI	265	independent brokers
	420	independent motor licence issuers
STC	191	agents outside the cities which have depots
	12	private bus and freight lines with interline agreements
SaskWater	2	associations representing engineers and municipal governments
ISC	2	technology partners
IS	41	investees
	29	investment partners
Total	1,256	

Partners: The purpose is to show the number and types of businesses in Saskatchewan which have partnerships with Crowns to provide services and/or products to Saskatchewan people.

Sponsorships	Events/Organizations	Communities	Total
SaskPower	795	246	$1.4 million
SaskTel	1,251	152	$2.2 million
SaskEnergy	1,288	317	$1.7 million
SGI	343	225	$974.0 thousand
STC	8	2	$5.0 thousand
SOCO	25	3	$33.0 thousand
SaskWater	25	12	$32.0 thousand
ISC	49	11	$95.0 thousand
IS	20	6	$125.0 thousand
CIC	34	5	$136.0 thousand
Total	3,838	979	$6.7 million

Sponsorships: Each Crown has its own sponsorships policy and makes its own decisions about organizations and events it will sponsor. The focus is on Saskatchewan-based charities and non-profit organizations, and on community events. The total number of events/organizations may include duplicates because some Crowns may have sponsored the same event/organization. As well, the total number of communities may count the same community several times.

Capital spending	
SaskPower	$279.9 million
SaskTel	$172.2 million
SaskEnergy	$99.6 million
SGI	$9.8 million
STC	$16.3 million
SOCO	$15.9 million
SaskWater	$7.5 million
ISC	$5.5 million
Total	$606.7 million

Capital spending: The purpose is to show the effect of Crown capital spending on communities.

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Policy and Programs

Utility Rates

Since 2003, CIC has been monitoring utility rates throughout Canada and providing the Provincial Government with information about how Saskatchewan's rates compare with rates in other provinces. CIC calculates the annual cost in each province for a package of rates that includes: single line residential touch-tone phone service; 8,100 kilowatt hours of electricity; 3,200 cubic metres of natural gas; and insurance rates for the 34 most common vehicles registered in Saskatchewan and a selection of driver profiles. Based on these criteria, Saskatchewan had the lowest overall costs in 2007.

2007 Rankings

Province	Total Cost	Variance to Saskatchewan	Rank
British Columbia	$3,760.28	$538.75	3
Alberta	$4,390.42	$1,168.89	5
Saskatchewan	**$3,221.54**	**$0**	**1**
Manitoba	$3,255.66	$34.13	2
Ontario	$5,855.26	$2,633.73	9
Quebec	$3,917.28	$695.75	4
New Brunswick	$4,671.07	$1,449.53	6
Nova Scotia	$5,188.77	$1,967.23	7
Prince Edward Island	$5,330.30	$2,108.76	8
Newfoundland & Labrador	$6,073.04	$2,851.50	10

Note: The calculations do not represent actual consumption charges in each jurisdiction. They represent Saskatchewan's consumption patterns with each jurisdiction's rates. All costs are for the full calendar year. They include any rebates and any auto insurance discounts such as good driver discounts. They do not include municipal surcharges, or provincial or federal taxes.

Rate Review Process

The Saskatchewan Rate Review Panel (SRRP or the Panel) was established in 2000 as an advisory body to Government. The Panel's role is to conduct reviews of rate change proposals from SaskPower, SaskEnergy and SGI (on behalf of the Saskatchewan Auto Fund). The Panel considers the interests of the customer, the Crown, and the public, then provides an opinion to the Minister of Crown Corporations on the fairness and reasonableness of the proposed changes. Government makes the final decision on rate change requests.

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During 2007, SRRP conducted one review for the Saskatchewan Auto Fund and two reviews for SaskEnergy. The Panel recommended an average general rate decrease of 7.1 per cent for auto insurance premiums, with rate rebalancing, effective July 1, 2007; an average 5.7 per cent increase for SaskEnergy's delivery rate for natural gas, effective June 1, 2007; and an average 5.7 per cent decrease for SaskEnergy's commodity rate for natural gas, effective November 1, 2007. Government approved SRRP's recommendations in all three instances.

The members of the Panel during 2007 were: Alison Renny, Saskatoon, Chair; Pamela Smith, Regina, Vice Chair; Robert Bundon, Prince Albert; Jo-Ann Carignan-Vallee, Assiniboia; Louis Gardiner, Ile A La Crosse; Bernadette Garrett, Landis; Joan Meyer, Swift Current; and Linda Thauberger-Smith, Regina.

For more information, see SRRP's web site at **www.saskratereview.com**.

Since 2005, CIC has helped to establish three investment funds which support the growth and development of small businesses in Saskatchewan: The Saskatchewan Entrepreneurial Fund, which provides financing of up to $1 million for new and existing entrepreneurs; the Apex Investment Fund, which targets small and medium-sized businesses requiring between $1 million and $4 million; and the First Nations and Métis Fund, which makes investments of between $1 million and $3 million in new or expanding businesses which are majority-owned or controlled by First Nations or Métis people.

The Saskatchewan Entrepreneurial Fund has made three investments since inception in 2005:

- $200,000 in debt for Getz Enterprises Ltd., a machining, welding, industrial and agricultural equipment repair and manufacturing company based in Regina;
- $1 million in debt for RW Organic Ltd., an organic grains processor based in Mossbank; and
- $835,000 in debt and equity for Speedy Creek Cash, a company based in Swift Current which purchases and rents non-bank labeled ATMs and installs them in retail locations across Saskatchewan, Manitoba and Alberta.

The Apex Investment Fund has approved five investments since inception in 2007:

- $2.5 million in equity for Bonus Energy Ltd., a private oil and gas exploration company from Alberta that plans to acquire properties in Saskatchewan;
- $903,000 in debt and equity for Hester Technical Services, a Regina-based distributor of polyurethane foams, industrial coatings and other products;
- $1.3 million in debt and equity for Prometal Industries, a stainless steel fabricator and machine shop based in Regina;
- $2.6 million in equity for VillaNova Energy Corp., a new Regina-based oil and gas exploration company with operations in southwest Saskatchewan; and
- $1 million in debt financing for North West Terminal Ltd., an inland grain terminal near Unity which plans to build and operate an ethanol facility.

Since inception in 2006, the First Nations and Métis Fund has approved two investments:

- $1.5 million in debt for Eagle Vision Mulching, a company based in Big River which provides an environmentally friendly mulching service in northern Saskatchewan and Alberta; and
- $2.5 million in debt and equity for L&M Wood Products Ltd., a diversified forest products company based in Glaslyn.

Programs for Young and Aboriginal People

CIC has implemented a number of programs aimed at hiring and retaining more young and Aboriginal people in its subsidiary Crown corporations. The goals are:

- To renew the workforce in the Crowns, where half of the current employees are expected to retire by 2017;
- To have the Crowns, which are among Saskatchewan's largest companies and biggest employers, better reflect the diversity of the population; and
- To offer young and Aboriginal people opportunities to stay in Saskatchewan to pursue their careers and raise their families.

There are two main programs under this initiative:

- Gradworks provides 12-month internships in the Crowns for recent post-secondary graduates who have little or no work experience. In 2007, there were 74 people who started their Gradworks internships in the Crowns. From the program's inception in 2004 to the end of 2007, there had been 260 internships. More than 88 per cent of those who have completed their internships have stayed in Saskatchewan, with 56 per cent employed in the Crowns and 32 per cent employed in other companies.

- The CIC Aboriginal Bursary Program provides financial assistance for qualifying students at the University of Regina and First Nations University of Canada. Under the program, students can receive $2,500 per semester or $5,000 per full academic year. In 2007, there were 71 bursaries awarded for the winter semester and 53 for the fall semester. From the program's inception in 2004 to the end of 2007, 328 bursaries had been awarded, with some students receiving multiple bursaries.

Significant Transactions

Since 1997, CIC has had guidelines for reporting significant transactions to the Crown and Central Agencies Committee of the Legislature. A significant transaction is broadly defined as one that is material (value greater than one per cent of the Crown's assets), and outside the ordinary course of business. This includes the purchase or sale of a major asset or investment, assuming a major liability, or a major change in the terms and conditions of an existing investment. Crowns must also report transactions that do not fall under these conditions if they are judged to be of a sensitive nature or likely to be of interest to legislators and the public. Transactions must be reported to the Committee within 90 days of their occurrence. The following significant transactions were reported to the Committee in 2007:

SaskEnergy
- Incremental equity advance to/injection in Heritage Gas Ltd. (three reports).

Saskatchewan Transportation Company
- Acquisition of land for the development of a new Regina passenger and express depot and head office.

Investment Saskatchewan Inc.
- Sale of the Meadow Lake Pulp Mill;
- Divestiture of investment in the Centennial Foods Ltd. Partnership; and
- Transactions through HARO Financial Corporation to complete the final closing of the sale of Crown Life Insurance Company to Canada Life Assurance Company.

CIC and its subsidiary Crowns continue to demonstrate environmental leadership through a variety of initiatives and programs designed to enhance environmental sustainability in the sector and the province in general. All Crowns, even those that don't produce significant greenhouse gas emissions, are required to have performance measures in their balanced scorecards as part of the Crown sector Performance Management System. The measures are monitored and reported on annually. The Crowns have also implemented internal environmental initiatives to promote recycling, paper reduction, and the use of environmentally friendly office products.

All Crowns reported positive environmental performance results for 2007. Specific environmentally friendly practices and initiatives include:

SaskPower announced the first of a series of supply decisions that will ensure the integrity of its system through 2014. Environmentally friendly options such as wind, waste heat recovery, biomass, net metering and energy efficiency will all play a role in meeting short-term needs, along with a plan to construct up to 400 megawatts (MW) of capacity from natural gas-fired turbine generators. Natural gas generation produces 50 per cent less carbon dioxide than coal, as well as low sulphur dioxide, nitrogen oxides and mercury emissions. Other initiatives from SaskPower during 2007 included:

SaskPower International's Centennial Wind Power Facility, located in southwest Saskatchewan. Photo provided by SaskPower.

completion of the first year of operations for the 150 MW Centennial Wind Power Facility, which produces enough electricity equivalent to meeting the needs of 69,000 homes annually;

continuation of the Environmentally Preferred Power Program, which provides opportunities to partner with independent power producers to build and operate small-scale environmentally low-impact generation projects. One example is a 5 MW project at Alliance Pipeline's Kerrobert compressor station. The facility, which completed its first full year of operation in 2007, recovers exhaust heat from natural gas compression and converts it into electricity;

a new net metering program for customers who want to generate their own electricity from environmentally preferred projects of 100 kilowatts (KW) or less, and send any excess back to the electrical grid for a credit on their power bill. Eligible technologies include wind, solar, low impact hydroelectric, biomass, flare gas and heat recovery;

the SaskPower Eneraction initiative – a portfolio of energy efficiency, conservation and load management programs aimed at reducing electricity demand by 300 MW by 2017. In 2007, programs included distribution of 16,000 free compact fluorescent light bulbs in six Saskatchewan communities, and introduction of a low interest loan program for high efficiency furnace motors.

SaskEnergy implemented energy efficiency and greenhouse gas emission reduction improvements, amounting to 55.2 Terajoules as a result of projects at the Beacon Hill Compressor Station, use of a flare while blowing down a section of pipeline near Patience Lake, and installation of electric glycol pumps at the Bayhurst Compressor Station and Storage Field. In addition, SaskEnergy continues to be proactive through environmental initiatives in the areas of: reclamation, hazardous material storage, site remediation, pollution prevention, air quality and greenhouse gas initiatives, and leading edge research to reduce the duration and cost of remedial efforts and improve environmental management practices.

Saskatchewan Transportation Company (STC) evaluated its one-year pilot project using 2 per cent bio-diesel fuel in all buses out of the Saskatoon depot. As a result, it will expand the project in 2008 to include the rest of the fleet.

Saskatchewan Opportunities Corporation (SOCO) has adopted the Building Owners and Managers Association of Canada's (BOMA) Go Green Plus environmental certification building rating system for its buildings. The BOMA Go Green program provides national industry benchmarking, identifies ways for improving performance in reducing the environmental impact of buildings, and recognizes buildings that have implemented environmental best practices into their operation. The Go Green Plus program adds a benchmarking tool that provides feedback on the adoption of green practices to help raise the level of environmental consciousness in building design and operations.

Wayne Petti of Cuff the Duke and Rachelle van Zanten performing during the 2007 Regina Folk Festival. Photo courtesy of Joanne Layh.

Corporate Social Responsibility

During 2007, CIC sponsored 34 organizations and events in five Saskatchewan communities, for a total of $136,000. Larger sponsorships included:

Skills Canada Saskatchewan 9th Annual Provincial Skills Competition, $25,000;
Safe Schools Conference, $15,000;
Saskatchewan International Tattoo and Festival, $10,000;
Saskatoon Symphony concert, where free tickets were distributed to disadvantaged children, $10,000;
Ehrlo Sport Venture youth basketball and soccer leagues in Regina, $7,000; and
Regina Folk Festival, $2,500.

CIC employees and the corporation also teamed up again to support the Regina United Way and the Salvation Army's Adopt-a-Family program. In both cases, the corporation matched the money contributed by employees. The total donation to the United Way was $18,061.10 ($9030.55 from the corporation), while $1,946 ($973 from the corporation) went toward Christmas hampers for four disadvantaged families. Teams of employees purchased, wrapped and delivered gifts and food for the 20 children and seven adults in the families.

The 2007 United Way committee: (back row) Jared Carlson, Kendra Nixon, Tanya Thome, Barb Flynn, Christie Donauer, James Hoffman; (front row) Heather Dybvig, Kyla Hillmer, Leasa Gibbons, Dawn Stanger, Erin Connelly, Pam Haubrich. Missing: Shayla Leier, Shannon Roberts.

INTRODUCTION TO CIC'S FINANCIAL REPORTING

Preface

The purpose of the following discussion is to provide the users of CIC's financial statements with an overview of the Corporation's financial performance and the various measures CIC uses to evaluate its financial health. This narrative on CIC's 2007 financial results should be read in conjunction with the audited consolidated and non-consolidated financial statements.

Producing two different views of CIC's operations and results, with consolidated and non-consolidated financial statements, is a cornerstone of our commitment to accountability and transparency. Explanations of the differing purposes of these statements are provided in the next pages.

In addition to the information on CIC's 2007 results, discussions have been expanded to provide more detailed information regarding our performance relative to our business plan, and what this means for the Crown sector in the future.

Forward-Looking Information

Throughout the Annual Report, and particularly in the following discussion, are forward-looking statements. These statements can be recognized by terms such as "outlook," "expect," "anticipate," "project," "continue," or other expressions that relate to estimations or future events. By their nature, forward-looking statements require assumptions based on current information, management experience and historical performance. Forward-looking information is subject to uncertainties, and, as a result, forward-looking statements are not a guarantee about the future performance of CIC and its subsidiary Crown corporations.

Readers should not place undue reliance on forward-looking statements, as a number of factors could cause actual results to differ materially from estimates, predictions and assumptions. Other factors that can influence performance include, but are not limited to: weather conditions, commodity markets, general economic and political conditions, interest and exchange rates, performance and competition in the Crown sector, and regulatory environment. Given these uncertainties, assumptions contained in the forward-looking statements may or may not occur.

Financial Reporting Table of Contents

Introduction to CIC's Financial Reporting **23**
- Understanding CIC's Financial Statements **24**
- CIC's 2007 Financial Highlights **25**
- Achieving Corporate Priorities in 2007 ..... **26**
- Managing Capital Resources in the Crown Sector **27**

CIC Consolidated Management Discussion & Analysis **31**
- CIC's 2007 Crown Sector Balanced Scorecard **31**
- Comparison of 2007 Results with 2006 Results **36**
- Significant Events Impacting 2007 Consolidated Results **37**
- Accounting Policy Developments Impacting Future Consolidated Results **38**
- Analysis of 2007 Consolidated Revenues and Expenses **39**
- Analysis of 2007 Consolidated Capital Resources **41**
- Segmented Information **45**
- Crown Corporation Analysis **46**
- CIC Consolidated Financial Statements **62**

CIC Non-Consolidated Management Discussion & Analysis **103**
- CIC's 2007 Corporate Balanced Scorecard **103**
- Comparison of 2007 Results with 2006 Results **108**
- Comparison of 2007 Results with Budget **112**
- Key Factors Affecting Financial Performance **113**
- Looking Ahead to 2008 ..... **114**
- CIC Non-Consolidated Financial Statements **115**

Understanding CIC's Financial Statements

CIC prepares two sets of financial statements, its consolidated financial statements and non-consolidated financial statements.

CIC Consolidated Financial Statements

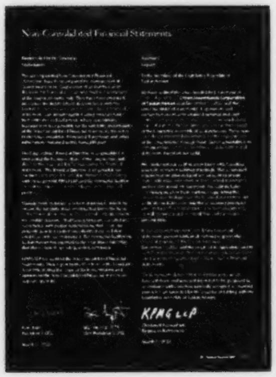
These statements illustrate CIC's results consolidated with the results of its subsidiary Crown corporations. The financial statements are prepared in accordance with Generally Accepted Accounting Principles in Canada (GAAP) and include:

- Financial results of subsidiary Crown corporations (SaskPower, SaskTel, SaskEnergy, SGI, ISC, Investment Saskatchewan Inc., STC, SaskWater, SOCO, SGGF MC, and SDFC);
- Financial results for CIC's wholly-owned subsidiaries, (Gradworks Inc., CIC Economic Holdco Ltd., First Nations and Métis Fund Inc., and CIC Apex Equity Holdco Ltd., and CIC's proportionate share of NewGrade - sold in 2007);
- Dividends paid by CIC to the General Revenue Fund (GRF); and
- CIC's operating results and public policy expenditures.

Consolidated earnings represent the total earnings in the Crown sector, taking into consideration the elimination of all inter-entity transactions (i.e., revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC).

CIC Non-Consolidated Financial Statements

Non-consolidated earnings represent CIC's earnings as a shareholder of the Crown sector. These statements assist CIC in determining its capacity to pay dividends to the GRF. The non-consolidated statements have not been and are not intended to be prepared in accordance with GAAP. These statements are intended to isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations, and public policy expenditures. These financial statements include:



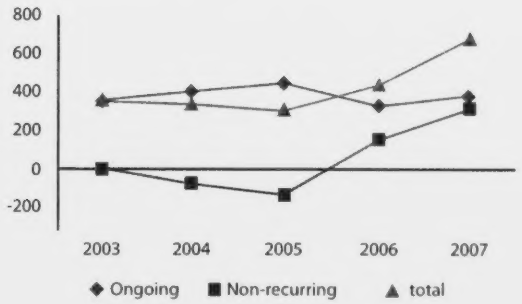
- Dividends from subsidiary Crown corporations;
- Gain on sale of NewGrade;
- Dividends paid by CIC to the GRF;
- Grants by CIC to subsidiaries; and
- CIC's operating results and public policy expenditures.

CIC'S 2007 Financial Highlights

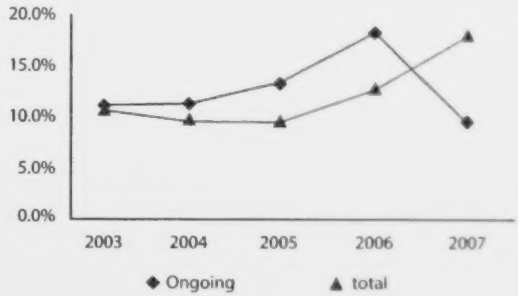
(millions of dollars)	2007	2006	2005	2004	2003
Consolidated					
Consolidated Earnings	**$ 696.3**	$ 441.1	$ 306.7	$ 312.1	$ 345.4
Total Consolidated Assets	**9,629.0**	9,661.1	9,248.4	8,139.9	7,874.5
Consolidated Debt[1]	**3,858.0**	3,783.6	3,860.2	3,537.4	3,553.0
Dividend to the GRF	**200.0**	167.0	221.0	268.0	200.0
Non-Consolidated					
Dividend Revenue	**$ 221.1**	$ 342.7	$ 299.9	$ 347.6	$ 293.2
Non-Consolidated Earnings	**576.9**	322.3	248.1	275.0	274.3
Ratios					
Consolidated Return on Equity	**17.8%**	12.6%	9.2%	9.6%	11.0%
Non-Consolidated Cash Return on Equity	**10.5%**	10.2%	14.3%	17.6%	13.5%

1 Consolidated debt includes long-term debt, long-term debt due within one year, and notes payable.

Consolidated Earnings



Consolidated Return on Equity



Non-Consolidated Earnings and Dividends to the GRF

CIC (non-consolidated) posted strong results in 2007. Earnings of $576.9 million allowed CIC to declare a dividend to the GRF of $200.0 million, which fulfilled its budgeted commitment.

Achieving Corporate Priorities in 2007

A Balanced Approach to Shareholder Return

- CIC is focused on providing a reasonable return to the Province. This priority must be balanced with its public policy initiatives.
- In 2007, CIC declared a dividend of $200.0 million to the GRF.
- CIC's consolidated return on equity was 17.8 per cent and its non-consolidated cash return on equity was 10.5 per cent in 2007.
- These returns were accomplished while supporting the following public policy initiatives:
  - Saskatchewan EnerGuide for Houses;
  - Gradworks Inc., an internship program for the Crown sector;
  - STC transportation routes in the province;
  - Construction of STC's new head office and bus terminal in Regina;
  - CIC Economic Holdco Ltd., a joint venture interest in the Saskatchewan Entrepreneurial Fund Joint Venture;
  - First Nations and Métis Fund Inc., a venture capital fund; and
  - CIC Apex Equity Holdco Ltd., a joint venture interest in Apex Investment Limited Partnership.

Financial Sustainability

- CIC monitors the financial resources of the Crown sector to ensure that financial performance targets are achieved in the current year and that the financial sustainability of the Crown sector is maintained for the future. This includes important functions such as:
  - Forecasting available cash flows over the planning horizon for dividend payments to the GRF;
  - Ensuring Crown corporations have sufficient capital available to maintain and/or expand existing infrastructure; and
  - Examining capital structures of Crown corporations (generally consisting of debt and equity) to maintain financial health.
- All decisions that impact financial resources, such as dividends from the Crown sector, dividends to the GRF, or funding of a public policy initiative, are assessed within the context of financial self-sufficiency, while contributing to the Government's priorities for the Crown sector.
- During 2007, CIC's allocation of financial resources included the following:
  - Support of the above noted public policy initiatives;
  - Declaration of a dividend to the GRF of $200.0 million;
  - Approval of capital spending plans of subsidiary Crown corporations;
  - Funding of $5.3 million to CIC Apex Equity Holdco Ltd.; and
  - Funding of $0.6 million to CIC Economic Holdco Ltd. (Saskatchewan Entrepreneurial Fund Joint Venture).

Enhancing Accountability

- CIC continues to advance its financial reporting practices in support of transparency and accountability. Examples of current practices to facilitate accountability include:
  - Quarterly reports for the Crown sector, available to the public via CIC's website;
  - Disclosure of budget information in the Government of Saskatchewan's summary financial plan;
  - Annual publication of CIC's non-consolidated financial statements to report on CIC as a holding company;
  - Within the annual reports, comparisons of Crown sector results to business plan targets;
  - Providing Internal Audit services to certain CIC subsidiary Crown corporations; and
  - Developing policies and practices in support of possible future financial statement certifications by Executive Management.
- CIC continuously evaluates new standards for financial reporting and corporate governance.

Managing Capital Resources in the Crown Sector

CIC has a diverse range of holdings. A key priority for CIC is to manage the capital resources employed within the consolidated group of entities to optimize value in the Crown sector and also provide a return to the Province's GRF.

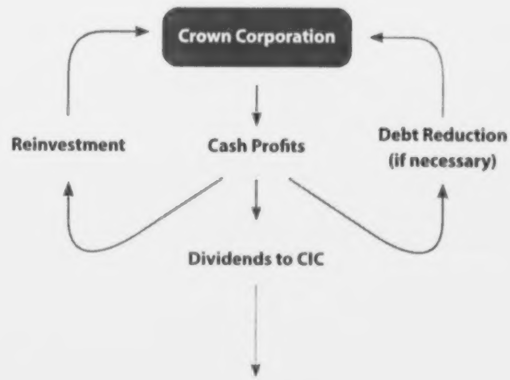
CIC manages this priority through its capital allocation framework, which is based on two integrated policies. These policies are based on the principle that there are three potential uses for cash profits:

- **Reinvestment** in our businesses to sustain infrastructure and operations, to grow and diversify revenues, and support public policy initiatives and economic development;
- **Dividends** to the holding company to be used in accordance with the CIC Dividend Policy; and
- **Debt reduction** to support the financial flexibility of CIC's operations.

The first component, the Subsidiary Dividend Policy, focuses on managing capital resources to support the investment needs and business viability of the various business segments. The second component, the CIC Dividend Policy, ensures that the investments provide a return to the Saskatchewan stakeholders in support of programs paid for from the GRF.

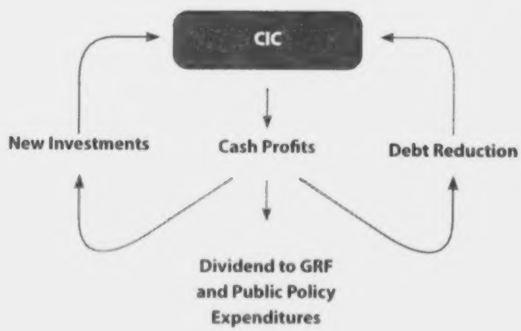
Subsidiary Dividend Policy

Each commercial Crown's ability to pay dividends is determined after the CIC Board allocates a portion of cash profits to reinvestment and debt reduction. The CIC Board has approved debt and capital structure targets for CIC's subsidiaries based on industry benchmarks. Therefore, for subsidiaries that pay dividends, the amount paid is determined in relation to the target capital structure compared to the actual capital structure.



CIC Dividend Policy

In a similar way, cash paid by subsidiary Crown corporations is used by CIC for reinvestment, debt reduction, and dividends to the GRF. CIC, as the holding company, currently does not have any debt. Therefore, cash is used for reinvestment and to pay dividends to the GRF. As well, CIC uses funds to support public policy initiatives.



In 2007, CIC allocated $234.8 million of capital as follows:

Reinvestment and Public Policy Expenditures:
- $28.9 million in grant funding provided to STC, SaskEnergy, Gradworks Inc., and SaskWater.
- $5.9 million investment in CIC Economic Holdco Ltd. and CIC Apex Equity Holdco Ltd.

Dividends:

CIC declared a dividend to the GRF in 2007 of $200.0 million.

Debt reduction:
- No funds were used for debt repayment as CIC (non-consolidated) does not carry debt.

CIC's ability to pay regular dividends to the GRF depends mainly on the level of Crown dividends to CIC, less CIC's operating costs. These costs include support to non-dividend paying Crown corporations and public policy expenditures. Crown dividend levels depend on their net earnings and capital structure. In addition to cash constraints, CIC's ability to declare dividends to the GRF depends on its retained earnings (a company's retained earnings are the aggregate amount of undistributed income since its inception). CIC's earnings and hence, dividend capacity outlook, are sensitive to adverse developments in its operating expenditures and Crown earnings forecasts.

Capital Structures of Commercial Crown Corporations

The following table summarizes the target capital structure of CIC's Crown corporations that declared dividends to CIC in 2007.

	Capital Structure Measure	Capital Structure Target	2007 Actual Capital Structure	2007 Dividend Payout Rate
SaskPower	Debt Ratio	60.0%	59.7%	70%
SaskTel	Debt Ratio	45.0%	27.7%	36%
SaskEnergy	Debt Ratio	65.0%	62.8%	60%
SGI[1]	MCT	307%	266%	65%
Investment Saskatchewan	Self Supporting Debt	At Target	At Target	90%
Information Services Corporation	Debt Ratio	63.0%	42.4%	35%

1 Minimum Capital Test is an indicator of financial flexibility used in the insurance industry.

Liquidity

CIC and its subsidiary Crown corporations borrow from the GRF, which in turn, borrows in the capital markets. With strong credit ratings, the GRF has ample access to capital for anticipated borrowing requirements.

Province of Saskatchewan Credit Ratings

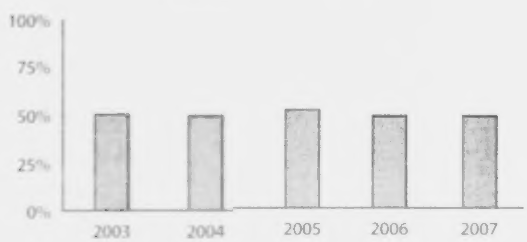
Moody's Investor Service (Moody's)	Aa1
Standard & Poor's (S&P)	AA
Dominion Bond Rating Service (DBRS)	AA (low)

There are three credit rating agencies in Canada that evaluate and rate the Province's sovereign debt. These ratings affect the interest rate at which the Province, including the Crown sector, can borrow funds. As the credit ratings improve, the interest rates at which the Province can borrow decrease, thereby reducing the costs of borrowing. During 2007 Moody's, S&P and DBRS all confirmed the Province's credit rating.

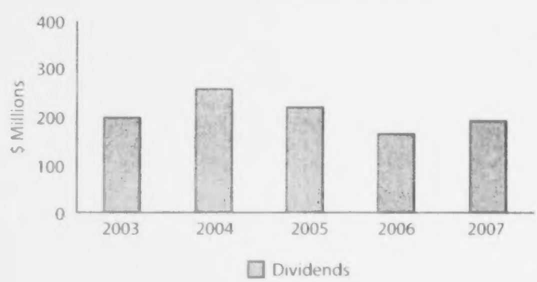
Financial Health and Dividends to the Province

As CIC has strengthened its financial position, higher dividends to the GRF have been possible. In 2007, CIC provided a dividend of $200.0 million. The 2007 dividend target was increased based on expected financial results of CIC's subsidiary Crown corporations.

Consolidated Debt Ratio



Dividends Declared to the GRF



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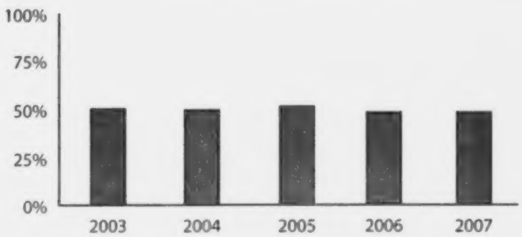
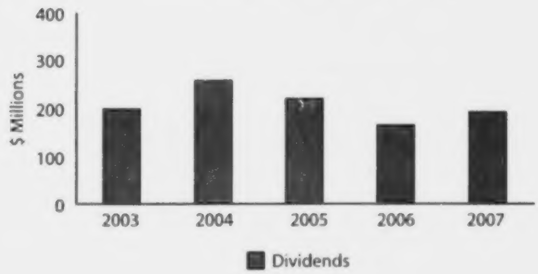


Dividends Declared to the GRF



CIC Consolidated Management Discussion & Analysis

CIC's Performance Measurement for the Crown Sector

Performance Measurement using the Balanced Scorecard

CIC uses a widely accepted performance measurement system known as the Balanced Scorecard. This system is used to establish, communicate and report on key corporate performance targets in a standardized and concise format, very similar to that of a report card. The Balanced Scorecard enables CIC to facilitate strategic execution and accelerate continuous performance improvement while creating greater internal and external accountability and transparency. The Balanced Scorecard is therefore a means to articulate corporate strategy, motivate the organization to achieve desired targets and enable the executive and the shareholder to monitor results. CIC provides its Board with quarterly progress reports on CIC's performance relative to targets, in addition to the public annual reporting on past year results and future year forecasts.

The "Balance" of the Scorecard

The notion of "balance" refers to having a balance between financial and non-financial measurements that are critical to the overall success of the organization. The balance does not infer equivalency among all measures, but rather that they all address the organization's strategy and the contribution to long term performance. Measures may also compete for the allocation of resources within the organization.

Role of the Holding Company and Crown Sector Measures

CIC, in its oversight role as the holding company, has developed a "Sector Scorecard" to reflect the articulation of sector strategy and the measurement of CIC's role in providing this oversight on behalf of the shareholder. The scorecard therefore reflects the strategies, measures and targets related to the role of CIC, rather than an assessment of the subsidiary Crown corporations that make up the Crown sector.

Sector Scorecard Perspectives	Scorecard Performance Indicators
Leadership	● Above target
Shareholder	● Achieved target
Financial	Slightly off target
Public Policy	● Well below target
	● Not reported

Leadership Perspective

This perspective highlights CIC's value in leading Saskatchewan's Crown sector through the articulation of the shareholder's business vision and strategy. CIC does this by establishing financial frameworks and performance management objectives and by providing corporate governance guidance and support to the Crowns and their Boards of Directors.

2007 Key Priorities

- Continued emphasis on CIC led initiatives related to youth and Aboriginal recruitment and retention.
- Consult and advise Executive Government on Government priorities that affect the Crown sector.

2008 Key Priorities

- Confirm and implement the new Government's vision for the Crown sector.
- Support Saskatchewan Gaming Corporation in its first year of transition to a subsidiary Crown corporation.

Sector Strategic Objectives	Performance Measure	2007 Target	2007 Result	Variance	2008 Target
1. Effective oversight of the province's commercial Crown corporations on behalf of the shareholder.	CIC Board: performance index	7.6 - 8.2	● survey deferred to 2008	A	7.6 - 8.2
2. Provide strategic human resource leadership to the Crowns.	CIC Board: performance index	7.4 - 8.0	● survey deferred to 2008	B	7.4 - 8.0
	Crown executive: performance index	5.7 - 6.3	6.0		5.7 - 6.3
3. Lead best practices in governance in the Crown sector.	governance rating by the Conference Board of Canada	non survey year	non survey year	C	top 25%

Variance analysis

A The CIC Board performance index is based on the results from a series of questions contained in the annual shareholder survey. The survey was not conducted in 2007 because the data collection period fell within the provincial election timeframe.

B Survey was not conducted in 2007 because the data collection period fell within the provincial election timeframe.

C The Conference Board of Canada review is conducted on a 2-3 year cycle.

Shareholder Perspective

This perspective challenges CIC to maintain excellent relationships with its shareholder and to understand and assess emerging issues by providing professional and timely advice and guidance.

2007 Key Priorities

- Consult and advise Executive Government on Government priorities that affect the Crown sector.
- Direct and timely communication of shareholder direction earlier in the Crown subsidiary planning cycle.

2008 Key Priorities

- CIC will exercise its authority as the holding company for the Crown sector, providing strategic direction and ensuring compliance with such direction.
- Confirm and implement the new Government's vision for the Crown sector.

Sector Strategic Objectives	Performance Measure	2007 Target	2007 Result	Variance	2008 Target
1. Provide expertise and guidance to support the CIC Board.	CIC Board: performance index	8.0 - 8.6	● survey deferred to 2008	A	8.0 - 8.6
2. Advise and consult with Ministries and Crown corporations on Crown sector issues.	CIC Board: performance index	to be developed in 2008	new measure	B	
3. Offer highly competitive benefit and pension programs to Government and private sector clients.	client base retention	95%	100%	C	strategic objective is deleted for 2008
	rolling 4 year return on the Diversified Fund	achieve or exceed the Diversified Fund's benchmark	● benchmark exceeded		
	plan administration and Pension Board: performance index	index to be developed in 2007	index developed		

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B New index to be developed in 2008 as a performance measure.

C Capital Pension and Benefits issues its own Annual Report.

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Financial Perspective

This perspective recognizes CIC's role in optimizing the Crown sector's financial performance and accountability. CIC does this by ensuring a balance exists between the relative priorities of providing an appropriate return to the people of Saskatchewan and protecting the financial flexibility of CIC and the Crown sector. CIC is committed to continuing efforts to make the Crown sector more open and accountable, and providing a greater degree of public transparency in the results of the Crown sector's operations.

2007 Key Priorities

- Manage Crown capital allocation and dividend targets on behalf of the shareholder.
- Increase accountability and cost control through use of CIC's internal audit unit.

2008 Key Priorities

- Complete a strategic scan of the long-term opportunities and challenges facing the Crown sector and make recommendations on future strategic direction, including development of a long-term financial plan to deal with capital requirements.

Sector Strategic Objectives	Performance Measure	2007 Target	2007 Result	Variance	2008 Target
1. Provide an appropriate return to the people of Saskatchewan.	CIC dividend to the General Revenue Fund (GRF)	$200 M	$200 M	A	$550 M
2. Ensure that Crown corporations are financially healthy and support the Government's direction for the Crown sector.	Crowns are financially sustainable and financially flexible	13% cash flow return on equity (ROE)	10.5%	B	29.8% cash flow ROE
		consolidated debt equity ratio	new for 2008		53%
		sustainable dividend level generally not more than 90% of earnings	all dividends were less than 90% of earnings		sustainable dividend level generally not more than 90% of earnings
3. Advance Crown corporation reporting and disclosure against best practice standards.	review of reporting and disclosure by the Conference Board of Canada	meet or exceed the current average of a "B" rating	"B" rating	C	non survey year

Variance analysis

A The target for CIC's 2007 dividend was changed from $175 M to $200 M as part of the GRF budget finalization. This also resulted in a change in the cash flow ROE target from 10% to 13%. The revised 2008 dividend target is a $185 M regular dividend and a $365 M special dividend ($140 M for highways, $215 M for debt reduction and $10 M for green initiatives.

B CIC's earnings forecast increased over the original target. However, because CIC's dividend to the GRF was fixed at $200 M the cash flow ROE was below target. CIC had the capacity to pay higher dividends to meet the cash flow ROE target of 13% if required by the GRF. The 2008 target is much higher than the 2007 actual, due to the special dividend described in note A.

C The Conference Board of Canada review is conducted on a 2 year cycle.

Public Policy Perspective

This perspective captures CIC's role in implementing initiatives to support the Government's public purpose objectives for the Crown sector.

2007 Key Priorities

- Provide guidance on priorities related to Crown sector human resource issues and Aboriginal business development.
- Advise and consult with Executive Government on funding for public policy initiatives.

2008 Key Priorities

- Strategically align human resource policies and practices in the Crown sector.
- Drive Aboriginal business opportunities and partnerships within the Crown sector.

Sector Strategic Objectives	Performance Measure	2007 Target	2007 Result	Variance	2008 Target
1. Workforce renewal and sustainability.	Gradworks Program: ▪ interns	75 interns	74 interns		75 interns
	▪ Crown retention	65%	53.3%	A	65% Crown retention
	▪ retention in Saskatchewan	85%	● 90%		85% retention in Saskatchewan
	Co-op Program	130 students	117 students	B	170 students
	summer students	new for 2008	new for 2008		315 students
	representative workforce: ▪ women in under represented positions ▪ women ▪ women in management ▪ Aboriginal ▪ persons with disabilities ▪ visible minorities	28.0% new for 2008 new for 2008 8.7% 4.3% 3.3%	25% new for 2008 new for 2008 9.0% 4.6% 4.0%	C	tbd tbd tbd tbd tbd tbd
	youth employment	13.9%	15.6%		14.4%
2. Advance and support economic development in Saskatchewan.	% of goods and services sourced from Saskatchewan suppliers	≥ 75%	66%	D	≥ 75%
	% of goods and services sourced from Aboriginal suppliers	to be developed	● deferred to 2008		tbd
3. Support the Government's environmental agenda.	achievement of Crown specific environmental scorecard targets	100%	100%		100%

Variance analysis

A Retention targets based on potential hiring across the Crown sector; actual results vary.

B Estimate of requirement across the Crown sector; actual hiring can vary from year to year.

C Low staff turnover and limited vacancies resulted in fewer hiring opportunities for this designated group.

D Information from one of the larger Crowns was not available when the target was established. The methodology to calculate the measure will be revised in 2008. This may lead to a change in the target.

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A The target for CIC's 2007 dividend was changed from $175 M to $200 M as part of the GRF budget finalization. This also resulted in a change in the cash flow ROE target from 10% to 13%. The revised 2008 dividend target is a $185 M regular dividend and a $365 M special dividend ($140 M for highways, $215 M for debt reduction and $10 M for green initiatives.

B CIC's earnings forecast increased over the original target. However, because CIC's dividend to the GRF was fixed at $200 M the cash flow ROE was below target. CIC had the capacity to pay higher dividends to meet the cash flow ROE target of 13% if required by the GRF. The 2008 target is much higher than the 2007 actual, due to the special dividend described in note A.

C The Conference Board of Canada review is conducted on a 2 year cycle.

Public Policy Perspective

This perspective captures CIC's role in implementing initiatives to support the Government's public purpose objectives for the Crown sector.

2007 Key Priorities

- Provide guidance on priorities related to Crown sector human resource issues and Aboriginal business development.
- Advise and consult with Executive Government on funding for public policy initiatives.

2008 Key Priorities

- Strategically align human resource policies and practices in the Crown sector.
- Drive Aboriginal business opportunities and partnerships within the Crown sector.

Sector Strategic Objectives	Performance Measure	2007 Target	2007 Result	Variance	2008 Target
1. Workforce renewal and sustainability.	Gradworks Program: ■ interns	75 interns	74 interns		75 interns
	■ Crown retention	65%	53.3%	A	65% Crown retention
	■ retention in Saskatchewan	65%	90%		85% retention in Saskatchewan
	Co-op Program	130 students	117 students	B	170 students
	summer students	new for 2008	new for 2008		315 students
	representative workforce: ■ women in under represented positions ■ women ■ women in management ■ Aboriginal ■ persons with disabilities ■ visible minorities	28.0% new for 2008 new for 2008 8.7% 4.3% 3.3%	25% new for 2008 new for 2008 9.0% 4.6% 4.0%	C	tbd tbd tbd tbd tbd tbd
	youth employment	13.9%	15.6%		14.4%
2. Advance and support economic development in Saskatchewan.	% of goods and services sourced from Saskatchewan suppliers	≥ 75%	66%	D	≥ 75%
	% of goods and services sourced from Aboriginal suppliers	to be developed	deferred to 2008		tbd
3. Support the Government's environmental agenda.	achievement of Crown specific environmental scorecard targets	100%	100%		100%

Variance analysis

A Retention targets based on potential hiring across the Crown sector; actual results vary.

B Estimate of requirement across the Crown sector; actual hiring can vary from year to year.

C Low staff turnover and limited vacancies resulted in fewer hiring opportunities for this designated group.

D Information from one of the larger Crowns was not available when the target was established. The methodology to calculate the measure will be revised in 2008. This may lead to a change in the target.

Analysis of Financial Results

The following analysis of CIC's consolidated 2007 financial results should be read in conjunction with the audited consolidated financial statements. While this MD&A is as complete as possible, CIC is bound by confidentiality agreements with its investment partners. In some cases, these agreements limit the information that CIC can release. For purposes of the MD&A on CIC's consolidated results, "CIC" refers to the consolidated entity. CIC's consolidated financial statements are prepared in accordance with GAAP and, as such, consolidate the results of all of CIC's subsidiary corporations.

Comparison of 2007 Results with 2006 Results

Net earnings for the year were $696.3 million (2006 - $441.1 million). Net earnings from ongoing operations (earnings before public policy expenditures, income taxes, non-recurring items and discontinued operations) were $378.3 million (2006 - $296.4 million).

Consolidated Earnings Comparison

(millions of dollars)	2007	2006	2005	2004	2003
SaskPower	$ **138.3**	$ 92.7	$ 130.5	$ 66.4	$ 187.2
SaskTel	**84.1**	72.5	64.4	94.5	83.0
SaskEnergy	**88.1**	53.2	76.7	107.8	40.9
SGI	**35.1**	52.1	35.2	41.7	21.2
Investment Saskatchewan	**11.5**	72.9	(87.7)	19.3	7.5
Information Services Corporation	**23.0**	8.7	8.3	8.3	(5.8)
SaskWater	**(0.6)**	0.3	(1.1)	(1.9)	(2.7)
STC	**(6.7)**	(5.7)	(5.4)	(4.7)	(4.6)
SOCO	**3.7**	4.9	5.5	6.1	(0.2)
CIC (Non-Consolidated)	**576.9**	322.3	248.1	275.0	274.3
NewGrade	**74.6**	102.9	88.9	40.2	32.3
Consolidation Adjustments[1] & Other	**(331.7)**	(335.7)	(256.7)	(340.6)	(287.7)
Consolidated Earnings	$ **696.3**	$ 441.1	$ 306.7	$ 312.1	$ 345.4
Total Assets	$ **9,629.0**	$ 9,661.2	$ 9,248.4	$ 8,139.9	$ 7,874.5

[1] Consolidation adjustments reflect the elimination of all inter-entity transactions, such as revenues and expenses between Crown corporations and dividends paid by Crown corporations to CIC.

As the foregoing table illustrates, consolidated CIC Crown sector results in 2007 were significantly improved from 2006 results. Consolidated net income increased $255.2 million from the prior year. Variances in the CIC Crown sector were as follows:

- SaskPower earnings increased primarily due to higher sales volumes combined with a 4.3 per cent system wide average rate increase implemented February 1, 2007 offset by high costs due to increased administrative costs for salaries and benefits; additional pension expenses; higher maintenance costs; and costs related to the write-down of materials and supplies inventory.
- SaskTel earnings increased relative to 2006 due to strong cellular access growth and increased revenue for MAX™ entertainment and internet services.
- SaskEnergy earnings increased relative to 2006, due to a gain on commodity sales resulting from positive impacts of commodity price changes.
- SGI earnings decreased from 2006 primarily due to weather related losses in Saskatchewan which were $14.3 million higher than in 2006.
- Investment Saskatchewan earnings of $11.5 million decreased relative to 2006. In 2006 Investment Saskatchewan recorded a $31.5 million reversal of previous provisions for losses related to Meadow Lake Pulp Limited Partnership.
- NewGrade earnings of $74.6 million decreased relative to 2006 due to a narrowing of heavy oil differentials from 2006. On November 1, 2007 CIC sold its investment in NewGrade for net proceeds of $383.1 million, and a gain on sale of $250.1 million.

Significant Events Impacting 2007 Consolidated Results

During 2007, there were some significant events that impacted CIC's consolidated results. These are detailed as follows:

1. **Sale of NewGrade Energy Inc.**

   On September 5, 2007, the Corporation announced that it had reached an agreement with a third party to purchase the Corporation's interest in NewGrade for $325.0 million plus cash surplus on the 2007 earnings. This agreement was subject to Consumers' Co-operative Refineries Ltd. (CCRL) right of first refusal. On September 26, 2007 CCRL notified the Corporation that it would purchase the Corporation's interest in NewGrade. On November 1, 2007 the sale of NewGrade resulted in net proceeds of $383.1 million, generating a gain on sale of $250.1 million.

2. **Adoption of New Accounting Standards**

   On January 1, 2007, CIC adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, financial instruments - recognition and measurement; CICA Handbook Section 3861, financial instruments - disclosure and presentation; CICA Handbook Section 1530, comprehensive income; CICA Handbook Section 3865, hedges; and CICA Handbook Section 3251, equity. These standards require that all financial assets and financial liabilities be classified as held-to-maturity, held-for-trading, available-for-sale, loans and receivables or other liabilities. In addition, the standards require all financial assets and liabilities, including all derivatives, be measured at fair value with the exception of loans and receivables and other liabilities. As required, these standards have been applied as an adjustment to opening retained earnings and accumulated other comprehensive income. As a result, retained earnings increased by $5.8 million and accumulated other comprehensive income increased by $13.1 million. Prior period balances have not been restated. For further details, see Note 1 (c) to the audited consolidated financial statements.

3. **Discontinued Operations**

   In 2006 CIC's financial position included assets that were in the process of being liquidated. In accordance with CIC's accounting policy, these assets were separated from the ongoing operations and were classified as discontinued operations. In 2007 the assets were disposed of in the following manner:

   - **Crown Life Insurance Company**
     The final close occurred on July 6, 2007 and resulted in the distribution of cash and invested assets and liabilities to the shareholders. The Corporation has determined that it has no continuing involvement in the operation of Crown Life after completion of the final close.

   - **Centennial Foods Partnership**
     On July 30, 2005, Centennial restructured its operations into three separate partnerships, Centennial Foodservice Partnership, New Food Classics Partnership, and Centennial 67 Partnership.

     In February 2006, New Food Classics Partnership was sold to a third party. During 2007, the Corporation disposed of its interests in Centennial Foodservice Partnership and Centennial 67 Partnership. The Corporation has determined that it has no continuing involvement in the operations of this business after completion of the sales.

   - **Meadow Lake Pulp Limited Partnership (MLPLP)**
     At December 31, 2006, the Corporation was unable to determine whether it would have any significant continuing involvement in the operations of the business of MLPLP after a disposal transaction that occurred during 2007. Therefore, the Corporation classified as discontinued operations, the operating results of MLPLP for 2006. The Corporation subsequently determined that it would have a continuing interest of 20 per cent in the former business of MLPLP and, as a result, reclassified the operations of MLPLP to continuing operations for both 2007 and 2006.

Accounting Policy Developments Impacting Future Consolidated Results

International Financial Reporting Standards
The Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) has adopted a strategic plan that will result in Canadian generally accepted accounting principles (Canadian GAAP) converging with International Financial Reporting Standards (IFRS). It is anticipated that the transition process will be completed by 2011, at which time Canadian GAAP will be fully converged with IFRS for public accountable enterprises. Throughout the transition period, standards subject to joint-convergence projects may be adopted prior to full convergence. Standards not subject to joint convergence projects will be exposed in an omnibus manner for adoption at the time of convergence. Throughout the process there will be assessments of progress toward convergence. Due to evolving nature of IFRS through convergence projects, it is difficult to assess the impact of convergence on the Corporation.

Rate Regulated Operations
The CICA has amended certain sections of the CICA Handbook to remove the rate regulation exemption for recognition of certain assets and liabilities arising from rate regulations as well as other recognition and measurement guidance. These changes will be effective for year-ends beginning on or after January 1, 2009. The Corporation is currently assessing the impact of implementation of these recommendations but does not expect to be materially affected.

Capital Disclosures
The new recommendations of the CICA for capital disclosures (CICA Handbook Section 1535) will become effective for the Corporation's 2008 fiscal year. The new recommendations establish standards for disclosing information about the Corporation's capital (debt and equity) and how it is managed. Specifically, information should be disclosed to enable users of the financial statements to evaluate the Corporation's objectives, policies and processes for managing capital. The Corporation does not expect to be materially affected by the new recommendations.

Financial Instruments - Disclosures
The new recommendations of the CICA for financial instruments - disclosures (CICA Handbook Section 3862) replace the existing disclosure recommendations of financial instruments - disclosure and presentation (CICA Handbook Section 3861). The new recommendations will apply to the Corporation's 2008 fiscal year and will result in additional disclosure to financial instruments and the nature, extent and management of risks arising from financial instruments to which the Corporation is exposed.

Financial Instruments - Presentation
The existing recommendations of the CICA for financial instruments presentation in financial instruments - presentation and disclosure (CICA Handbook section 3861) are carried forward, unchanged as financial instruments - presentation (CICA Handbook section 3863).

Inventories
The new recommendations of the CICA for inventories (CICA Handbook section 3031) will become effective for fiscal years beginning on or after January 1, 2008, with early adoption permitted. The new recommendations establish standards for the determination of the cost of the inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. The Corporation does not expect to be materially affected by the new recommendations.

Analysis of 2007 Consolidated Revenues and Expenses

Revenues

Revenues from ongoing operations were $4,455.6 million (2006 - $4,406.1 million), an increase of $49.5 million. The increase was due to a $35.8 million increase in operating revenues, an increase in investment revenue of $10.0 million, and an increase in other revenue of $3.7 million.

Operating revenues were $4,334.7 million (2006 - $4,298.9 million). The $35.8 million increase was mainly due to an increase in utility sales, increased insurance premiums and lower inter-corporate sales offset by decrease in commodity based sales.

Utility sales were $3,893.3 million (2006 - $3,777.6 million), an increase of $115.7 million. The increase is primarily due to the following:

- Increased sales by SaskPower ($128.0 million) due primarily to the impact of a 4.3 per cent system-wide average rate increase implemented February 1, 2007.
- Increased sales by SaskTel ($57.8 million) primarily due to strong customer growth in cellular, MAX™ entertainment and internet services.
- These increases were offset by lower revenues at SaskEnergy ($85.5 million) primarily due to lower cost of natural gas related to natural gas marketing and distribution utility commodity sales.

Insurance revenues increased at SGI by $17.1 million due to growth in premiums in the Saskatchewan and Alberta marketplace.

Operating revenues for commodity based investments decreased by $130.4 million. The decrease is due to the following:

- Decrease at Investment Saskatchewan was primarily due to the sale of MLPLP in early 2007.

Included in the overall increase in revenue on a consolidated basis was a decrease in inter-company sales of $37.9 million as compared with 2006. Inter-company sales are eliminated on the consolidation.

Investment revenues were $106.8 million (2006 - $96.8 million). The $10.0 million increase is primarily due to a $7.1 million increase in investment income from commodity operations which includes an increase in the Corporation's share in earnings from equity investments of $3.3 million, partially offset by a $2.8 million decrease in investment income from utility operations.

Expenses

Operating expenses were $4,077.3 million (2006 - $4,109.7 million), a decrease of $32.4 million. The primary factors for the decrease were a decrease in operating costs of $67.2 million related to the commodity based investments and utility operations, partially offset by the increase in operating costs in the insurance operations.

Operating costs from commodity based investments decreased by $97.5 million primarily due to:

- Decreased operating costs at Investment Saskatchewan due to the sale of MLPLP in early 2007, offset by increased costs at Big Sky Farms Inc. due to higher feed and transportation costs.

Expenses (continued)

Operating costs from utility operations decreased by $50.7 million primarily due to:

- Increased operating expenses for SaskPower ($62.8 million) due primarily to higher operating, maintenance and administration expenses resulting from rising costs for salaries and benefits, additional pension expense, higher maintenance costs and costs related to the write-downs of materials and supplies inventory.
- Increased operating costs at SaskTel ($27.6 million) were primarily due to expenses to cellular and MAX™ entertainment service revenue growth, increased depreciation and amortization expenses and increased salaries and benefits.
- Offsetting these increases were decreased operating costs at SaskEnergy ($143.4 million), primarily due to lower cost of natural gas sold related to natural gas marketing and distribution utility commodity sales.

Operating costs from the insurance operations increased by $38.1 million primarily due to:

- Increased operating costs at SGI of $38.1 million due to the higher than average summer storm activity in Saskatchewan.

Interest costs were $264.1 million (2006 - $261.9 million), an increase of $2.2 million due to an increase in debt of $74.4 million, offset by the decrease in interest rates.

Other Non-operating Revenue and Expenses

The Corporation had several significant non-operating expenses in 2007. These expenses were as follows:

- Although Crown corporations are non-taxable, certain investments held by the Corporation are taxable. During the year, the Corporation recorded $1.0 million in current taxes and $8.0 million in recovery of future income taxes.
- The Corporation recorded a loss from non-recurring items of $13.5 million. Due to the low commodity prices and high feed cost environment in the North American hog industry, and the uncertainty of the future of the Canadian hog industry, the Corporation recognized an impairment of goodwill and long-lived assets of its hog operation for a net effect after income taxes and non-controlling interests of $15.0 million. Given the inherent imprecision and corresponding importance of key assumptions used in the impairment tests, it is possible that changes in future conditions may lead the Corporation to use different key assumptions which could require a material change in net carrying amount of these assets. As well, the non-recurring items include a gain of $1.5 million based on the review of outstanding claims during the year.
- On September 5, 2007 the Corporation announced that it had reached an agreement with a third party to purchase the Corporation's interest in NewGrade Energy Inc. (NewGrade) for $325.0 million plus cash surplus on the 2007 earnings. On November 1, 2007 the sale of NewGrade resulted in net proceeds of $383.1 million, generating a gain on sale of $250.1 million.
- The Corporation recorded a provision for environmental liabilities of $24.1 million due mainly to an indemnity provided by Prince Albert Pulp Company and the Province of Saskatchewan for environmental liabilities predating 1986 related to the Prince Albert pulp mill site.
- The Corporation recorded a gain on discontinued operations of $23.8 million relating to operations sold in 2007, and $74.6 million in net earnings on NewGrade before its November 1, 2007 sale.

Other Non-operating Revenue and Expenses (continued)

The following table illustrates the disclosure of these items in CIC's 2007 consolidated financial statements:

(millions of dollars)	2007	2006
Non-Operating Items		
Earnings before the following	**$ 378.3**	$ 296.4
Future income tax recovery	**8.0**	0.9
Current income tax expense	**(1.0)**	(1.7)
Non-recurring items	**(13.5)**	18.9
Gain on Sale - NewGrade Energy Inc.	**250.1**	-
Provision for environmental liabilities	**(24.0)**	-
Gain from discontinued operations	**23.8**	23.7
NewGrade Energy Inc. net earnings	**74.6**	102.9
Consolidated Earnings	**$ 696.3**	$ 441.1

Analysis of 2007 Consolidated Capital Resources

Consolidated Debt

CIC closely monitors the debt levels of its subsidiaries, using the debt ratio as a primary indicator of financial health. The debt ratio measures the amount of debt in a corporation's capital structure. CIC uses this measure in assessing the extent of financial leverage and in turn, financial flexibility for its subsidiary Crown corporations. Too high a ratio relative to target, which is determined according to industry standards, indicates an excessive debt burden that may impair a corporation's ability to withstand downturns in revenues and still meet fixed payment obligations.

CIC reviews the debt ratio targets on an annual basis to ensure consistency with industry standards. This review includes Crown plans for capital spending. The target debt ratios for Crown corporations are approved by the CIC Board.

The following table shows the consolidated debt level and the consolidated debt ratio of CIC.

	2007	2006	2005	2004	2003
Consolidated Debt	**$ 3,858.0M**	$ 3,783.6M	$ 3,860.2M	$ 3,537.4M	$ 3,553.0M
Consolidated Debt Ratio	**49.6%**	49.9%	51.7%	50.4%	51.0%

Consolidated Debt (continued)

Debt on a consolidated basis was $3,858.0 million at December 31, 2007, an increase of $74.4 million compared to 2006 debt of $3,783.6 million. Increase in debt at SaskPower ($50.4 million), SaskEnergy ($45.9 million), SaskWater ($5.0 million) and SOCO ($11.8 million) were offset by decreases at SaskTel ($16.1 million), ISC ($11.9 million) and ISI ($10.7 million).

Capital Spending

CIC spent $1,788.5 million (2006 - $1,363.9 million) on new investment and capital acquisitions. The $424.6 million increase reflects a $479.9 million increase in investment activity, mainly due to increased turnover within SGI's investment portfolio and a decrease in fixed asset spending of $55.3 million.

Operating, Investing and Financing Activities

(millions of dollars)	2007	2006
Cash Flow Highlights		
Cash from Operations	**$ 966.6**	$ 769.0
Cash used in Investing Activities	**(627.6)**	(591.8)
Cash used in Financing Activities		
Dividends Paid	**(167.0)**	(221.0)
Debt Proceeds Received	**189.3**	160.8
Debt Repaid	**(141.8)**	(235.7)
Other Financing Activities	**(10.8)**	(6.7)
Change in Cash	**$ 208.7**	$ (125.4)

Cash from operations was $966.6 million (2006 - $769.0 million). The $197.6 million increase was primarily related to the cash provided by operating activities from continuing operations and the cash provided by operating activities from discontinued operations.

Cash used in investing activities was $627.6 million (2006 - $591.8 million). The $35.8 million increase due mainly to the increased purchase of investments, partially offset by the proceeds from sales and collections of investments.

Cash used in financing activities was $130.3 million (2006 - $302.6 million). During the period, the Corporation increased its long-term debt proceeds, decreased its long-term debt repayments and paid dividends to the GRF of $167.0 million.

Comparison of 2007 Results with Budget

(millions of dollars)	2007 Earnings		2007 CIC Dividends	
	Budget	Actual	Budget	Actual
SaskPower	$ 134.7	$ 138.3	$ 87.6	$ 97.0
SaskTel	61.4	84.1	30.0	30.0
SaskEnergy	69.1	88.1	52.0	53.0
SGI	37.8	35.1	24.6	22.8
Investment Saskatchewan	27.8	11.5	27.8	10.3
Information Services Corporation	7.5	23.0	2.0	8.0
SaskWater	(0.4)	(0.6)	-	-
STC	(8.5)	(6.7)	-	-
SOCO	4.4	3.7	-	-
NewGrade	74.9	74.6	73.7	-
CIC, Other, Adjustments	(65.1)	245.2	-	-
Consolidated Earnings	$ 343.6	$ 696.3	$ 297.7	$ 221.1

The preceding table shows results for the commercial Crown corporations in 2007 in comparison to business plan targets. Consolidated earnings for 2007 of $696.3 million were $352.7 million above budgeted earnings of $343.6 million. Variances in the Crown sector were as follows:

- SaskPower earnings were above budget primarily due to increased sales volumes in Saskatchewan offset by higher operating expenses and fuel and purchased power costs.
- SaskTel earnings were above budget. Revenues were higher than anticipated primarily due to favorable cellular, long distance, internet, data and customer premises equipment revenues. Lower revenues from MAX™ entertainment services and from SaskTel's subsidiaries partially offset these favorable variances.
- SaskEnergy earnings were above budget primarily due to a gain on commodity sales due to lower than anticipated natural gas commodity prices.
- SGI posted earnings that were below budget, due to higher than anticipated summer storm activity in Saskatchewan. This was partially offset by higher than budgeted investment earnings.
- Investment Saskatchewan's earnings were below budget primarily due to an environmental provision of $24.0 million related to the Province's former investment in Prince Albert Pulp Company and a $15.0 million a write-down in its investment in Big Sky Farms Inc.
- NewGrade earnings of $74.6 million were substantially on budget. On November 1, 2007, the Corporation's investment in NewGrade was sold for net proceeds of $383.1 million, generating a gain on sale of $250.1 million.
- The Corporation budgeted $50.0 million to ensure the public policy initiative of maintaining the lowest cost bundle of services promise was met. In 2007, the government discontinued this public policy.

A Closer View of CIC's Holdings

CIC is involved in a broad array of industries through various forms of investment. A number of investments are held as wholly-owned subsidiaries, while others are joint ventures and partnerships held either directly by CIC, or through its wholly-owned subsidiaries.

Investment	Major Business Line	Form of Investment
Saskatchewan Power Corporation (SaskPower)	Electricity	wholly-owned subsidiary
Saskatchewan Telecommunications Holding Corporation and Saskatchewan Telecommunications (collectively SaskTel)	Telecommunications	wholly-owned subsidiary
SaskEnergy Incorporated (SaskEnergy)	Natural Gas	wholly-owned subsidiary
Saskatchewan Water Corporation (SaskWater)	Water and Wastewater	wholly-owned subsidiary
Information Services Corporation of Saskatchewan (ISC)	Land and Property Registration Services	wholly-owned subsidiary
Saskatchewan Government Insurance (SGI)	Property and Casualty	wholly-owned subsidiary
Investment Saskatchewan Inc. (IS)	Several Investments	wholly-owned subsidiary
NewGrade Energy Inc. (NewGrade) Sold in 2007	Heavy Oil Upgrader	50.0 per cent joint venture
Saskatchewan Opportunities Corporation (SOCO)	Infrastructure	wholly-owned subsidiary
Saskatchewan Development Fund Corporation (SDFC)	Mutual Fund	wholly-owned subsidiary
Saskatchewan Government Growth Fund Management Corporation (SGGF MC)	Immigrant Investor Program	wholly-owned subsidiary
Saskatchewan Transportation Company (STC)	Passenger and Freight Transportation	wholly-owned subsidiary

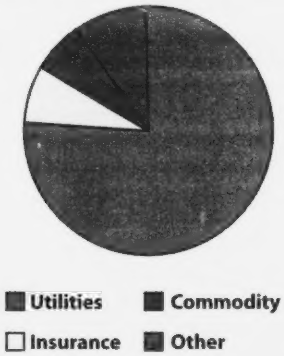
Utilities   Insurance   Commodity Based Investments   Economic Growth   Transportation

Profiles of material subsidiary Crown corporations are included in this section. SDFC and SGGF MC are immaterial to the consolidated operations to CIC and therefore profiles have not been included in this section. Each subsidiary Crown corporation prepares an annual report, which is tabled in the Legislative Assembly. For additional information, please refer to each individual Crown corporation's annual report. These annual reports can be found through CIC's website, **www.cicorp.sk.ca**.

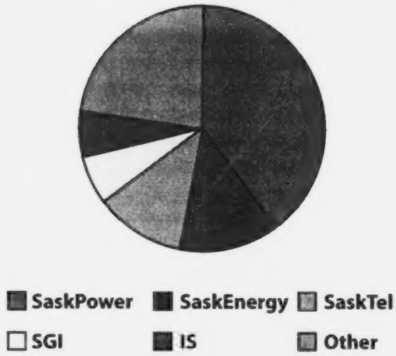
The data on the following page illustrates the importance of the utility business segment to the financial results of the corporation. Of these corporations, SaskPower, SaskTel and SaskEnergy are the most significant in terms of assets, liabilities, and operating income generated

Segmented Information

Total Assets by Business Segments



Total Assets by Corporation



($ millions)	Utilities		Commodity-Based		Insurance		Transportation		Economic Growth		Other & Adjustments		Total	
Income Statement for the year ended December 31	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Sales and other revenue	3,923	3,812	208	335	342	321	15	15	30	28	(62)	(105)	4,456	4,406
Operating expenses & other	3,336	3,356	204	278	305	266	23	21	26	24	(80)	(97)	3,814	3,848
Debt costs	254	253	9	8	-	-	-	-	-	-	1	1	264	262
Earnings before the following	333	203	(5)	49	37	55	(8)	(6)	4	4	17	(9)	378	296
Non-recurring items and taxes	-	24	(7)	2	(2)	(3)	8	6	-	-	221	(11)	220	18
Discontinued operations	-	-	98	127	-	-	-	-	-	-	-	-	98	127
Net earnings	333	227	86	178	35	52	-	-	4	4	238	(20)	696	441
Balance Sheet as at December 31														
Current assets	915	818	198	779	263	231	4	4	18	19	857	203	2,255	2,054
Investments & other	610	574	360	714	439	432	-	-	13	4	-	(1)	1,422	1,723
Property, plant & equipment	5,785	5,714	94	126	10	11	35	20	39	24	(11)	(11)	5,952	5,884
	7,310	7,106	652	1,619	712	674	39	24	70	47	846	191	9,629	9,661
Current liabilities	1,190	914	112	348	236	245	4	3	47	28	109	44	1,698	1,582
Long-term debt	3,215	3,432	12	59	-	-	-	-	-	-	-	-	3,227	3,491
Other	143	147	91	523	287	267	25	11	-	-	(24)	(10)	522	938
	4,548	4,493	215	930	523	512	29	14	47	28	85	34	5,447	6,011
Province's equity	2,762	2,613	437	689	189	162	10	10	23	19	761	157	4,182	3,650
	7,310	7,106	652	1,619	712	674	39	24	70	47	846	191	9,629	9,661
Statement of Cash Flows for the year ended December 31														
Operating activities														
Ongoing operations	734	629	84	(1)	54	51	(1)	-	5	5	60	72	936	756
Discontinued operations	-	-	(33)	117	-	-	-	-	-	-	64	(104)	31	13
	734	629	51	116	54	51	(1)	-	5	5	124	(32)	967	769
Investing activities														
Capital asset purchases	(554)	(584)	(9)	(11)	-	-	(15)	(3)	(16)	(17)	19	(15)	(575)	(630)
Other	32	2	178	47	(13)	(37)	-	-	(8)	2	(242)	24	(53)	38
	(522)	(582)	169	36	(13)	(37)	(15)	(3)	(24)	(15)	(223)	9	(628)	(592)
Financing activities														
Debt proceeds	182	158	5	7	-	-	-	-	-	-	2	(4)	189	161
Debt repayments	(124)	(157)	(27)	(69)	-	-	-	-	-	-	9	(9)	(142)	(235)
Dividends paid to CIC	(175)	(138)	(164)	(105)	(30)	(24)	-	-	-	-	369	267	-	-
Dividends paid to GRF	-	-	-	-	-	-	-	-	-	-	(167)	(221)	(167)	(221)
Other	(25)	(38)	(217)	13	-	-	16	4	18	21	198	(7)	(10)	(7)
	(142)	(175)	(403)	(154)	(30)	(24)	16	4	18	21	411	26	(130)	(302)
Change in cash	70	(128)	(183)	(2)	11	(10)	-	1	(1)	11	312	3	209	(125)

SaskPower

Utilities

Comparison of 2007 Results with 2006 Results

- Earnings of $138.3 million (2006 - $92.7 million). Increase is primarily due to an improvement in revenue, partially offset by an increase in operating costs.
- Revenue of $1,469.2 million (2006 - $1,353.3 million). Increase is due to higher sales volumes and a 4.3 per cent system-wide average rate increase implemented on February 1, 2007.
- Expenses of $1,330.9 million (2006 - $1,260.6 million). Increase is primarily due to higher operating, maintenance and administration expenses resulting from rising costs for salaries and benefits; additional pension expense; higher maintenance costs; and costs related to the write-down of materials and supplies inventory.
- Despite an increase in generation volumes, fuel and purchased power costs were down for the year as a result of increased hydro generation, increased coal generation and lower natural gas prices.
- Gross long-term debt of $2,565.6 million (2006 - $2,515.2 million) was up due to the additional borrowing of $100.0 million to finance SaskPower's capital program. This increase was partially offset by debt repayments during the year.
- SaskPower invested $279.9 million (2006 - $284.6 million) in various capital projects, including customer connects and the life extension of existing infrastructure.
- Debt ratio of 59.7 per cent (2006 - 61.0 per cent) was down slightly from 2006, due to earnings, debt repayments, growth in debt retirement funds (sinking funds) and a higher cash balance which more than offset the increased borrowings.
- Return on equity of 9.3 per cent (2006 - 6.4 per cent) increased due to the improvement in earnings.
- Dividend declared to CIC of $97.0 million (2006 - $60.2 million) increased due to a corresponding increase in earnings.

Key Financial Data

	2007 Actual	2007 Bus. Plan	2006 Actual	2005 Actual	2004 Actual	2003 Actual
Earnings	**$138.3M**	**$134.7M**	$92.7M	$130.5M	$66.4M	$187.2M
Dividend declared to CIC	**$97.0M**	**$87.6M**	$60.2M	$84.8M	$59.8M	$168.5M
Total assets	**$4,478.0M**	**$4,619.0M**	$4,364.0M	$4,271.0M	$3,970.0M	$3,730.0M
ROE	**9.3%**	**9.0%**	6.4%	9.2%	4.8%	13.6%
Debt ratio	**59.7%**	**61.4%**	61.0%	60.9%	58.2%	56.5%

Comparison of 2007 Results with Budget

- Earnings were $3.6 million above the budget of $134.7 million, primarily due to an increase in all revenue categories offset by higher operating expenses and fuel and purchased power costs.
- Revenues were $53.4 million higher than the budget of $1,415.9 million, as a result of increased sales volumes in the Saskatchewan, export and electricity trading categories. Other revenue was also up due to better than expected MRM Cogeneration Station equity investment earnings.
- Expenses were $49.7 million higher than the $1,281.2 million budget, primarily due to higher salaries and benefits, pension expense and an inventory adjustment combined with additional fuel and purchased power costs to meet increased demand.
- The dividend to CIC was $9.4 million higher than the $87.6 million budget commensurate with higher than expected earnings.

2008 Outlook

- Earnings are expected to decrease slightly in 2008 to about $131.4 million, largely as a result of higher fuel and purchased power costs. These expenses are expected to increase as a result of higher natural gas costs and an unfavourable change in the fuel mix resulting from lower water levels.
- SaskPower plans to continue making significant investments in its generation, transmission and distribution infrastructure, with anticipated capital expenditures of approximately $470.5 million in 2008.

Key Factors Affecting Performance

- Weather conditions.
- Export markets.
- Volatility of natural gas prices.
- Availability of relatively low cost hydro and coal generation.

Key Operating Data

	2007	2006	2005	2004	2003
Permanent full-time employees	**2,488**	2,458	2,425	2,397	2,376
Total customers	**451,713**	445,569	441,692	439,165	436,478
Residential & average usage (kWh)	**8,229**	8,030	8,065	8,048	8,208
Power lines (kilometres)	**155,818**	155,055	154,269	153,557	152,837

SaskTel

Utilities

Comparison of 2007 Results with 2006 Results

- Net income for the year is $84.1 million, up $11.6 million from 2006. Income from operations was $105.9 million and cash provided by operating activities was $224.9 million, which enabled SaskTel to once again self-finance all of its capital expenditures, acquisitions, debt obligations and dividend requirements.
- Operating revenues for the year are $1,067.4 million, up $57.8 million from 2006. The increase is primarily due to strong customer growth in cellular, MAX™ Entertainment and internet services. Increases in these services were partially offset by reductions in local access and long distance services.
- Operating expenses for the year are $961.4 million, up $44.0 million from 2006. The increase was driven primarily by increased expenses to support cellular and MAX™ Entertainment Services revenue growth, increased depreciation and amortization expenses, and increased salaries and benefits. These increases were partially offset by reduced restructuring charges in 2007.
- Interest costs of $25.0 million (2006 - $25.3 million) were consistent with the previous year.
- Debt decreased to $352.4 million (2006 - $366.2 million) due to repayment of long term debt.
- Capital expenditures for the year are $172.2 million, down $55.8 million from 2006. SaskTel completed the most aggressive capital program in the Corporation's history in 2006, when the Corporation focused significant resources on infrastructure enhancements to enable the delivery of new and improved Internet Protocol (IP) services to both urban and rural Saskatchewan. Capital spending returned to a more normal level in 2007, as SaskTel focused its capital expenditures primarily to growth initiatives, including MAX™ Entertainment Services and cellular network expansion.
- Debt ratio of 27.7 per cent (2006 - 30.4 per cent) declined as a result of: repayment of long-term debt, reduced cash and short-term investments, and revaluation of the sinking funds to market value, effective January 1, 2007, in line with implementation of new accounting standards for financial instruments.
- Return on equity increased to 11.8 per cent (2006 - 10.7 per cent) consistent with higher earnings.
- Dividends of $30.0 million were declared in 2007 (2006 - $50.0 million).

Key Financial Data

	2007 Actual	2007 Bus. Plan	2006 Actual	2005 Actual	2004 Actual	2003 Actual
Earnings	**$84.1M**	**$61.4M**	$72.5M	$64.4M	$94.5M	$83.0M
Dividend declared to CIC	**$30.0M**	**$30.0M**	$50.0M	$57.9M	$88.0M	$76.6M
Total assets	**$1,296.5M**	**$1,445.9M**	$1,254.9M	$1,213.6M	$1,230.7M	$1,231.8M
ROE	**11.8%**	**8.8%**	10.7%	9.7%	14.4%	13.0%
Debt ratio	**27.7%**	**40.6%**	30.4%	28.3%	25.7%	32.7%

Comparison of 2007 Results with Budget

- Net income of $84.1 million was $22.7 million higher than budget.
- Operating revenues of $1,067.4 million were $13.0 million higher than anticipated primarily due to favourable cellular, long distance, internet, data and customer premise equipment revenues. Lower than expected revenues from MAX™ Entertainment services and from SaskTel's subsidiaries partially offset these favourable variances.
- Operating expenses of $961.4 million were $6.1 million favourable, mainly due to lower than expected spending for cellular customer acquisition costs, depreciation expense (mainly due to lower than expected capital expenditures) and lower than expected spending by SaskTel's subsidiaries. These favourable variances were partially offset by increases in cost of sales, salaries and benefits and restructuring costs.
- Interest costs of $25.0 million were $6.1 million lower than budget. Lower than anticipated external investments and capital spending resulted in reduced borrowing requirements.

2008 Outlook

- SaskTel's targeted 2008 net income is $75.8 million.
- Revenues from growth initiatives including cellular, internet and MAX™ Entertainment services are projected to increase while revenues from local and long distance services are expected to decline. SaskTel forecasts in excess of $1.0 billion gross revenues for the third year in a row.
- Estimated restructuring charges of $21.0 million are expected.
- SaskTel will evaluate operational and structural options to further decrease costs within the traditional business.
- SaskTel expects to spend approximately $324.0 million on capital and external investments during 2008. No significant divestitures are anticipated.

Key Factors Affecting Performance

- Next generation technologies delivering Internet Protocol (IP) services through traditional and new, non-traditional competitors.
- Competitive pressures in all markets and the decline of traditional revenues.
- Ability to implement strategies to capture new growth revenues and retain our existing revenue base.
- Challenges of meeting cost reduction targets through improved productivity, while providing exceptional customer service and meeting the communications needs of the people of Saskatchewan.
- Changes in policies and regulations coming from Canadian Radio-television and Telecommunications Commission decisions and from Industry Canada.

Key Operational Data

	2007	2006	2005	2004	2003
Permanent full-time employees	**3,797**	3,895	3,995	4,103	4,153
Operating revenue ($1,000's)	**1,067,359**	1,009,586	978,830	932,358	897,150
Network access services	**568,181**	578,979	584,149	587,185	590,961
Cellular access services	**452,218**	402,676	360,137	318,102	282,679
Internet access services	**206,233**	192,734	179,385	162,098	148,301
Originated minutes (1,000's)	**1,388,800**	1,393,824	1,390,614	1,426,493	1,433,936

SaskEnergy

Utilities

Comparison of 2007 Results with 2006 Results

- Net income of $88.1 million increased (2006 - $53.2 million) due to a gain on commodity sales resulting from the positive impacts of commodity price changes. SaskEnergy's commodity rates are designed to ensure that in the long term it neither profits from nor incurs a loss on the sale of natural gas to its customers. However, since the purchase price of natural gas can fluctuate, SaskEnergy may experience differences between the amount paid for natural gas and the amount charged to customers through its commodity rate. These differences are either refunded to or collected from customers by adjustments to future commodity rates.
- Revenues of $1,170.5 million decreased (2006 - $1,254.0 million) due to lower natural gas marketing sales partially offset by higher commodity sales and delivery revenue.
- Expenses of $1,082.4 million decreased (2006 - $1,200.8 million) primarily due to lower cost of natural gas sold related to both natural gas marketing and distribution utility commodity sales.
- SaskEnergy incurred a gain on commodity sales of $27.2 million (2006 - $6.1 million loss). SaskEnergy conducts a price management program to assist in managing the volatility of natural gas purchase prices. The related fair value adjustments are included in the commodity cost of natural gas sold. The net effect of the fair value adjustments was to decrease the cost of natural gas sold by $17.9 million (2006 - $9.4 million increase in cost of natural gas sold).
- Debt increased to $708.3 million (2006 - $679.9 million) as a result of debt issues used to fund capital expenditures and to repay debt that matured during the year.
- Capital spending was $99.6 million (2006 - $71.5 million). The increase was due to incremental spending on storage development and system maintenance and expansion during 2007.
- SaskEnergy's debt ratio was 62.8 per cent (2006 - 63.4 per cent).
- Return on equity of 20.6 per cent increased (2006 - 13.2 per cent) corresponding with higher net income.
- Dividends declared to CIC of $53.0 million (2006 - $34.5 million) were based on 65.0 per cent of consolidated net income.

Key Financial Data

	2007 Actual	2007 Bus. Plan	2006 Actual	2005 Actual	2004 Actual	2003 Actual
Net income	**$88.1M**	**$69.1M**	$53.2M	$76.7M	$107.8M	$40.9M
Dividends declared to CIC	**$53.0M**	**$52.0M**	$34.5M	$29.3M	$70.0M	$26.7M
Total assets	**$1,411.4M**	**$1,388.0M**	$1,327.7M	$1,371.0M	$1,286.4M	$1,235.2M
ROE	**20.6%**	**16.3%**	13.2%	20.7%	33.1%	13.6%
Debt ratio	**62.8%**	**65.0%**	63.4%	65.0%	68.4%	71.5%

Comparison of 2007 Results with Budget

- Net income was $19.0 million above the $69.1 million budget primarily due to a gain on commodity sales.
- Revenues were $73.9 million lower than the $1,244.4 million budget primarily due to lower natural gas marketing and commodity revenues.
- Expenses were $92.9 million lower than the budget of $1,175.3 million due to lower cost of natural gas sold associated with natural gas marketing and distribution commodity sales.
- Dividends to CIC were $1.0 million higher than the budgeted dividend of $52.0 million due to higher than anticipated net income.

2008 Outlook

- SaskEnergy anticipates net income of $64.0 million in 2008 and will target to maintain a financially sound position with annual consolidated net income projected between $57.0 million and $65.0 million during the period of 2009 to 2012.
- SaskEnergy anticipates future capital expenditures of $551.3 million over the next five years. Most of this additional capital will be spent for the purpose of maintaining, improving, and expanding the natural gas transmission and distribution systems within the Province. Approximately $133.0 million of the total amount has been forecast for strategic Saskatchewan growth investments. These investments will generate incremental income for SaskEnergy and support economic development within the Province.
- In 2006, SaskEnergy committed to providing natural gas service to La Ronge and Weyakwin in north-central Saskatchewan. At December 31, 2007 SaskEnergy was in the planning stages, with the intention of commencing construction in 2008.
- In 2008, SaskEnergy will continue to demonstrate environmental leadership through initiatives focused on the reduction of green house gas emissions (both internally and by customers) as well as administering Provincial energy programs for customers.
- SaskEnergy will create value for the owner by generating industry-comparable returns on utility operations, by paying dividends and preserving an appropriate long-term capital structure.

Key Factors Affecting Performance

- Volatility of natural gas prices - a 10 cent per Gigajoule change in the market price of natural gas can affect the cost of natural gas by approximately $5.5 million.
- Variations in winter weather patterns - a one per cent change in winter weather can affect SaskEnergy's distribution utility revenue by approximately $0.7 million.
- Changes in the level of contracted transportation - a one per cent change in the level of capacity contracted by shippers to bring natural gas onto the transportation system can affect income by approximately $0.6 million.

Key Operational Data

	2007	2006	2005	2004	2003
Permanent full-time employees	**910**	853	813	813	805
Total distribution customers	**336,512**	332,148	329,240	327,586	325,504
Residential average usage (M^3)	**3,025**	2,873	3,060	3,287	3,420
Distribution pipelines (KM)	**66,460**	66,163	65,992	65,832	65,679
Transmission pipelines (KM)	**14,318**	14,252	14,197	14,127	14,072
Compressor horsepower (HP)	**89,035**	88,500	94,625	99,850	103,850
Peak day gas flows (Petajoules)	**1.49**	1.53	1.38	1.48	1.46

SaskWater
The Quality Advantage

Utilities

Comparison of 2007 Results with 2006 Results

- Losses for the year were $0.5 million (2006 - $0.4 million profit). In 2007, CIC provided grant funding of $0.1 million for the Aboriginal Advisor program. In 2006, CIC provided grant funding of $0.1 million for placement of Gradworks interns. Net losses before grant funding for the year were $0.6 million (2006 - $0.3 million profit).
- Revenues of $19.6 million increased by $1.1 million (2006 - $18.5 million) primarily due to rate increases implemented in 2007 and increased volumes.
- Expenses of $20.2 million increased by $2.0 million (2006 - $18.2 million) primarily due to increased costs relating to increased volumes and enhanced remote monitoring costs along with staffing and contractual commitments.
- Debt was $39.1 million (2006 - $34.5 million) an increase of $4.6 million. This increase relates to long-term borrowings to finance substantially complete capital projects, partially offset by scheduled debt repayments, sinking fund installments and sinking fund earnings. As well, short-term borrowings increased to facilitate the current capital infrastructure plan.
- Capital spending of $7.5 million increased by $1.9 million (2006 - $5.6 million) primarily due to completion of ongoing construction projects and expansion projects to facilitate customer growth within existing service areas.
- Total water sales volume of 4.2 billion gallons (2006 - 4.1 billion gallons).
- Debt ratio of 53.7 per cent increased by 3.4 per cent (2006 - 50.3 per cent) primarily due to the increase in long and short-term debt.

Key Financial Data

	2007 Actual	2007 Bus. Plan	2006 Actual	2005 Actual	2004 Actual	2003 Actual
Operating income (loss)	**($0.6M)**	**($0.4M)**	$0.3M	($1.1M)	($1.9M)	($2.7M)
Grant funding from CIC	**$0.1M**	**$Nil**	$0.1M	$35.1M	$9.2M	$1.1M
Total assets	**$77.1M**	**$82.4M**	$73.5M	$69.9M	$69.9M	$69.2M
Debt ratio	**53.7%**	**56.7%**	50.3%	49.4%	81.5%	77.9%

Comparison of 2007 Results with Budget

- Losses before grant funding were $0.2 million greater than the $0.4 million loss budgeted.
- Revenues were $0.8 million below the $20.4 million budget due primarily to anticipated new customers not materializing and lower consumption than budgeted.
- Expenses were $0.6 million below the $20.8 million budget primarily due to lower costs across most cost categories in the water treatment line of business.

2008 Outlook

- SaskWater expects total revenues to increase by 7.0 per cent ($1.3 million) to $20.9 million.
- SaskWater expects to invest $15.3 million in water and wastewater infrastructure projects in the province.
- SaskWater expects to report a net loss of $0.3 million in 2008 which includes plans to participate in the CIC Aboriginal Advisor program which will result in an operating grant from CIC of $0.1 million.

Key Factors Affecting Performance

- Weather: high rainfall decreases water sales.
- Rapidly rising construction costs for capital infrastructure.

Trusted Registry & Land Services

Information Services Corporation OF SASKATCHEWAN

Comparison of 2007 Results with 2006 Results

- Earnings increased to $23.0 million (2006 - $8.7 million) primarily due to higher land transaction revenue.
- Revenues of $62.6 million (2006 - $47.7 million) increased due to a large volume of land transactions and increased market values of property.
- Operating expenses of $39.5 million (2006 - $39.0 million) increased due to higher employee costs offset by favorable variances in technology costs and interest costs.
- Debt was $13.5 million (2006 - $25.4 million). The decrease reflects repayment of the entire short-term debt outstanding of $13.0 million due to strong operating performance.
- Capital spending was $5.5 million (2006 - $5.1 million). Spending was focused on leasehold improvements, development of new growth initiatives and enhancements to existing information systems.

Key Financial Data

	2007 Actual	2007 Bus. Plan	2006 Actual	2005 Actual	2004 Actual	2003 Actual
Earnings	**$23.0M**	**$7.5M**	$8.7M	$8.3M	$8.3M	($5.8M)
Total assets	**$46.8M**	**$42.0M**	$42.2M	$47.4M	$50.2M	$54.7M
Return on assets	**51.7%**	**17.8%**	19.5%	17.0%	15.8%	(10.1%)
Debt ratio	**42.4%**	**65.7%**	79.0%	109.1%	134.5%	129.6%
Dividends paid to CIC	**$8.0M**	**$2.0M**	$Nil	$Nil	$Nil	$Nil

Comparison of 2007 Results with Budget

- Earnings were $15.5 million higher than the $7.5 million budget, primarily due to higher land revenues and lower employee costs, technology costs and interest costs.
- Revenues exceeded the $49.1 million budget by $13.5 million, primarily due to higher than expected volume of land transactions and high value transactions.
- Operating expenses were $2.0 million below the $41.6 million budget, primarily due to vacant management positions, delayed projects and decreased interest costs due to accelerated payment of short-term debt.
- Dividends paid were $6.0 million higher than the $2.0 million budget, due to strong operating performance.

2008 Outlook

- ISC expects revenue to decrease in 2008 as the heightened market activity begins to level off, though revenue is still expected to be higher than 2006 results.
- ISC is committed to proactively examining fees to ensure they are fair to customers, while also ensuring any fee reductions are sustainable over time. In 2008, ISC will examine fees, looking first at ways to eliminate customer irritant fees as well as broader reductions to address market conditions.
- ISC will continue to focus on productivity in 2008, aggressively seeking cost reductions to reinvest the savings in growth and value creation.
- ISC has built competencies that can be leveraged to capture new customers with new lines of business. Growth in registry, land information management and extra-provincial markets will be pursued.
- ISC strives to be an employer of choice; innovative strategies will be implemented to attract and retain diversity and youth, and to ensure corporate memory is retained in the face of impending retirements.

Key Factors Affecting Performance

- Volume of searches and registrations are driven by economic activity.
- Revenues are influenced by property values and transaction volumes.
- Achievement of targeted cost reductions and cost containment must receive concerted attention.

SGI CANADA

Comparison of 2007 Results with 2006 Results

- Earnings were $35.1 million (2006 - $52.1 million). The decrease from 2006 is due to higher weather related losses from Saskatchewan which were $14.3 million higher than 2006.
- Revenues were $342.3 million (2006 - $321.4 million). The increase is due to growth in Saskatchewan and Alberta premiums and higher investment earnings.
- Claims incurred increased to $187.6 million (2006 - $157.1 million) primarily due to higher than average summer storm activity in Saskatchewan. The summer storm season in Saskatchewan in 2007 was one of the most severe on record.
- Capital spending increased to $1.6 million (2006 - $0.1 million) due to the purchase of naming rights for the theatre located at the RCMP Heritage Centre in Regina (SGI CANADA Theatre).
- Minimum capital test (MCT) of 266 per cent (2006 - 271 per cent).
- Return on equity of 20.9 per cent (2006 - 34.2 per cent).
- Dividends declared to CIC of $22.8 million (2006 - $33.9 million) commensurate with the reduced earnings.

Key Financial Data

	2007 Actual	2007 Bus. Plan	2006 Actual	2005 Actual	2004 Actual	2003 Actual
Earnings	**$35.1M**	**$37.8M**	$52.1M	$35.2M	$41.7M	$21.2M
Dividend declared to CIC	**$22.8M**	**$24.6M**	$33.9M	$22.9M	$27.1M	$13.8M
Total assets	**$707.2M**	**$703.7M**	$662.5M	$598.2M	$528.9M	$483.4M
ROE	**20.9%**	**22.9%**	34.2%	30.2%	42.0%	23.9%
Minimum Capital Test[1]	**266%**	**271%**	271%	255%	184%	188%

[1] The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

Comparison of 2007 Results with Budget

- Earnings were $2.7 million lower than the $37.8 million budget primarily due to higher than expected summer storm activity in Saskatchewan. This was partially offset by higher than anticipated investment earnings.
- Revenue exceeded the $335.2 million budget by $7.1 million due primarily to stronger than expected portfolio investment earnings.
- Claims incurred were $10.0 million higher than the $177.6 million budget primarily due to higher than expected summer storm activity in Saskatchewan.
- Dividends declared to CIC were $1.8 million lower than the $24.6 million budget commensurate with decreased earnings.

2008 Outlook

- SGI CANADA intends to build on the success of its first full year of operations in Alberta with continued growth in 2008.
- Managed growth in 2008 in Nova Scotia and New Brunswick will continue to spread. Decrease SGI CANADA's insurance geographic risk outside of Western Canada.
- The auto segment in Ontario will remain soft in 2008 but SGI CANADA expects another strong year from its Ontario operations.

Key Factors Affecting Performance

- Weather conditions (for example, storm activity).
- Geographic diversification and the purchase of reinsurance, which passes part of the risk to other insurers, mitigates the effect of adverse weather conditions.
- Capital markets have a significant impact on investment earnings and profitability.
- Increased competition.

Key Operational Data

	2007	2006	2005	2004	2003
Permanent full-time employees	**1,696**	1,630	1,565	1,532	1,513
Net premiums written	**$320.7M**	$301.2M	$286.4M	$278.0M	$249.0M
Number of policies in force	**510,449**	490,501	481,064	481,065	470,018
Number of claims	**80,147**	71,749	74,097	76,140	78,537

Saskatchewan Auto Fund

Insurance

The Saskatchewan Auto Fund (the Auto Fund) is not a subsidiary Crown corporation. Its results are included in this report because of SGI's administration of the Auto Fund. The results of the Auto Fund are not included in CIC's or SGI's consolidated financial statements.

Comparison of 2007 Results with 2006 Results

- Earnings before the 2007 rebate were $32.0 million (2006 - $101.1 million). The earnings decrease from 2006 is a result of higher claim costs.
- Revenues increased to $669.2 million (2006 - $641.1 million) due to growth in premium revenue, a result of a growing new vehicle population and an increase in the number of insured vehicles. Higher portfolio investment earnings were also a factor. Offsetting these increases was a 7.1 per cent rate reduction implemented effective July 1, 2007.
- Total claims and expenses were $637.2 million (2006 - $540.0 million). The increase is primarily due to higher claim costs.
- The Rate Stabilization Reserve was reduced to $141.0 million (2006 - $205.6 million) as a result of a rebate of $99.3 million paid in 2007, partially offset by $32.0 million in Auto Fund earnings.
- The Redevelopment Reserve was $31.0 million (2006 - $33.7 million). This reserve was established during 2005 to ensure adequate funding is available to meet the Auto Fund's commitment to redevelop its information systems.
- Capital spending increased to $8.3 million (2006 - $6.5 million) due to the purchase of a new building in Regina, necessary to allow for future business growth and to support business continuity.

Key Financial Data

	2007 Actual	2007 Bus. Plan	2006 Actual	2005 Actual	2004 Actual	2003 Actual
Earnings	**$32.0M**	**$42.1M**	$101.1M	$45.3M	$124.9M	$11.5M
Total assets	**$1,371.7M**	**$1,309.9M**	$1,317.8M	$1,213.4M	$1,101.0M	$990.5M
Minimum Capital Test[1]	**132%**	**124%**	179%	159%	N/A	N/A
Rate Stabilization Reserve	**$141.0M**	**$140.5M**	$205.6M	$147.3M	$136.9M	$14.4M

1 The Minimum Capital Test (MCT) is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required. The Auto Fund introduced the measure in 2005.

Comparison of 2007 Results with Budget

- Earnings of $32.0 million were $10.1 million less than the budgeted income of $42.1 million primarily as a result of higher than anticipated claims incurred and unbudgeted premium refunds to policyholders in July 2007. The premium refunds were for customers whose rates decreased on July 1, 2007 but who had already insured their vehicle beyond that date. These were partially offset by higher than expected portfolio investment earnings.
- Revenue exceeded the $649.4 million budget by $19.8 million primarily due to strong portfolio investment earnings, partially offset by the refund to policyholders.
- Claims and expenses were $29.9 million higher than the $607.3 million budget primarily due to higher than expected claim costs.

2008 Outlook

- Work on the Auto Fund information system redevelopment continues, with the second of five releases going into production in 2008.
- In 2008, approved elements of the Auto Fund's long-term traffic safety strategy will continue to be implemented, focusing on key areas such as reducing impaired driving, improving use of occupant protection, improving intersection safety, better speed management, additional roadway-based solutions and addressing other human factors.

Key Factors Affecting Performance

- Weather conditions (for example winter driving conditions and summer storm activity).
- Reinsurance protection is purchased to mitigate the effects of catastrophic events on the Rate Stabilization Reserve.
- Returns from capital markets have a significant impact on investment earnings and the Rate Stabilization Reserve balance.

Investment Saskatchewan Inc.

Commodity Based Investments

Comparison of 2007 Results with 2006 Results

- Net income, including results from discontinued operations, of $11.5 million compared to 2006 net income of $72.9 million. Earnings from continuing operations of $11.7 million are down from $50.0 million in 2006.
- Discontinued operations included Hypor, Crown Life Insurance Company and Centennial Foods Partnership. Hypor and a portion of Centennial Foods were exited in 2006 while Crown Life and the balance of Centennial Foods' operations were exited in 2007.
- The 2006 income was mainly attributable to a $31.5 million reversal of previous provisions for losses related to Meadow Lake Pulp Limited Partnership (MLPLP). While MLPLP's business was sold early in 2007, Investment Saskatchewan retained an interest in the business by receiving a 20 per cent equity interest in the purchaser as part of the purchase price. MLPLP obtained protection under the Companies' Creditors Arrangement Act (CCAA) in late 2005 and it was placed into receivership in October 2007. MLPLP liquidated the bulk of its assets during 2007 and its dealing with environmental remediation at its former mill site before being liquidated to its senior secured creditor, Investment Saskatchewan Inc.
- Revenue of $217.2 million in 2007 decreased from $335.8 million in 2006 primarily due to the sale of the MLPLP business early in 2007. Earnings from equity investments increased to $30.2 million from $16.7 million a year earlier. Earnings at Saskferco Products Inc. were up significantly due to strong fertilizer prices and demand while earnings of most other commodity based investments were lower due to the unfavorable impact of the high Canadian dollar.
- Expenses of $190.1 million in 2007 decreased from $278.2 million in the previous year primarily due to the sale of the business of MLPLP early in 2007. This was offset by increased costs at Big Sky Farms Inc. due to higher feed and transportation costs.
- Long-term debt decreased from $71.5 million in 2006 to $60.8 million at the end of 2007. This decrease is primarily due to scheduled repayment of $12.9 million of long-term debt during the year.
- Capital spending for property, plant and equipment of $7.8 million decreased from $10.7 million in 2006.
- Investment disbursements of $60.6 million increased from $24.6 million last year due to increased activity in new loans and equity investments.
- Five new direct investments were made with three more committed to during the year. In 2006, six new deals were made.

Key Financial Data

	2007 Actual	2007 Bus. Plan	2006 Actual	2005 Actual	2004 Actual	2003 Actual
Earnings	**$11.5M**	**$27.8M**	$72.9M	($87.7M)	$19.3M	$7.5M
Dividend declared to CIC	**$10.3M**	**$27.8M**	$59.1M	$Nil	$42.3M	$Nil
Total assets	**$652.5M**	**$684.7M**	$1,369.1M	$1,362.1M	$704.9M	$691.2M
ROE	**2.4%**	**5.5%**	13.9%	(16.2%)	4.0%	1.9%
Debt ratio	**13.0%**	**12.2%**	9.1%	13.2%	10.6%	11.3%

Comparison of 2007 Results with Budget

- Net income was under budgeted earnings of $27.8 million due to a non-budgeted environmental provision of $24.1 million related to a former provincial Crown corporation and a net provision for impairment of hog operations assets and goodwill of $15.0 million being recorded in 2007.
- Revenues of $217.2 million were $28.4 million higher than budgeted revenues of $188.8 million primarily due to non-budgeted revenues from MLPLP from the liquidation of its remaining inventories.
- Expenses were $40.2 million higher than the budget of $149.9 million as a result of unbudgeted operating expenses of MLPLP for 2007. MLPLP was expected to be sold by the end of 2006 and was therefore not included in the 2007 budget.
- Investment disbursements were $15.4 million below budget of $76.0 million primarily due to delays in funding of three committed investments. Funding is expected to occur in 2008.
- Cash and cash equivalents from continuing operations was $22.8 million lower than budgeted cash of $150.5 million primarily due to higher than budgeted distributions to the shareholder during the year.
- Total assets at year end were $31.6 million less than budgeted total assets of $684.1 million primarily due to the higher than budgeted distributions to the shareholder during the year.

2008 Outlook

- Should suitable opportunities arise, Investment Saskatchewan Inc. anticipates a further $25.0 million in investments.
- Liquidation of MLPLP in 2008. As part of the conclusion of the receivership process, Investment Saskatchewan expects to:
  - Finalize remediation efforts for the mill site from operational waste created during the ownership period; and
  - Wind up the partnership.
- Investment Saskatchewan Inc. anticipates winding up the Centennial Foods Partnership in 2008. Most of the cash has already been distributed during 2007.
- Commodity prices for most investments are expected to remain low due to a forecasted high Canadian dollar.
- Fertilizer prices and demand are expected to remain strong but net income from fertilizer operations is expected to reduce somewhat from 2007 levels due to the impact of the high Canadian dollar.
- If market conditions permit, certain publicly traded investments are expected to be disposed of during the year.

Key Factors Affecting Performance

- Commodity prices.
- U.S./Canadian exchange rate.
- Input costs.
- Risk management practices, investment performance, remediation costs for environmental liabilities, and outcomes of outstanding insurance litigation.

STC
The Bus Company

Comparison of 2007 Results with 2006 Results

- Operating loss before grant funding of $6.7 million (2006 - $5.7 million loss) increased primarily due to increased wages and benefits, consulting fees and fuel costs, partially offset by increased passenger and express revenues.
- CIC provided grants of $20.6 million (2006 - $8.3 million) to cover the operating cash shortfall and capital expenditures.
- Operating revenues were $16.1 million (2006 - $15.5 million). The increase is primarily due to a 5.0 per cent passenger fare increase that took effect January 1, 2007, a 5.0 per cent bus parcel express rate increase that took effect May 1, 2007, and increased charter activity.
- Operating expenses of $22.7 million (2006 - $21.2 million) increased primarily due to increased wages and benefits, consulting fees and fuel costs.
- Capital spending was $16.3 million (2006 - $4.5 million). This increase is primarily due to the construction of the new Regina facility that will be completed in mid-2008.

Key Financial Data

	2007 Actual	2007 Bus. Plan	2006 Actual	2005 Actual	2004 Actual	2003 Actual
Operating loss	**($6.7M)**	**($8.5M)**	($5.7M)	($5.4M)	($4.7M)	($4.6M)
Operating grant from CIC	**$5.0M**	**$6.0M**	$4.0M	$3.5M	$3.7M	$1.6M
Capital grant from CIC	**$15.6M**	**$21.8M**	$4.3M	$3.9M	$1.9M	$1.9M
Subsidy per mile	**$1.40**	**$1.59**	$1.22	$1.23	$1.02	$1.05

Comparison of 2007 Results with Budget

- Operating loss before grant funding was $1.8 million better than the $8.5 million budgeted loss primarily due to lower than expected operating and administration costs.
- Revenues were $0.1 million higher than the $16.0 million budget.
- Expenses were $1.1 million below the $23.9 million budget primarily due to savings in fuel, wages and benefits, agency commissions, advertising and pick up and delivery costs.

2008 Outlook

- STC expects capital spending of $11.1 million in 2008, mainly for the construction of a new head office and depot. Construction of the new depot is expected to be completed in 2008.
- STC does not anticipate significant changes to its routes, however options will be considered over the course of the year.

Key Factors Affecting Performance

- Fluctuating fuel prices.
- Stagnant freight market.
- STC is experiencing fluctuating ridership levels. STC experienced an increase in ridership in 2005 and 2006, which were the first increases in over 14 years. In 2007, ridership declined slightly. STC expects further increases as it continues to refocus on its services, advertising, and the construction of a safe and modern passenger depot.

SOCO

Comparison of 2007 Results with 2006 Results

- Earnings of $3.7 million (2006 - $4.9 million) decreased from 2006. Although operating results for the core research park operations were in line with 2006, they were offset by the results of the Bio Processing and increases in administration, amortization and interest.
- Revenues were $25.4 million (2006 - $24.6 million). This increase was due to increased rental revenue of $1.6 million, offset by a $0.9 million decrease in Bio Processing revenue.
- Expenses of $21.7 million (2006 - $19.7 million) increased primarily due to increased administration salaries and rental operations expenses, such as building maintenance, food services and overhead costs. In addition, there was a combined increase of interest and amortization of $0.5 million.
- Capital spending of $15.9 million (2006 - $17.5 million) decreased due to the timing of various construction projects.

Key Financial Data

	2007 Actual	2007 Bus. Plan	2006 Actual	2005 Actual	2004 Actual	2003 Actual
Earnings	**$3.7M**	**$4.4M**	$4.9M	$5.5M	$6.1M	($0.2M)
Total assets	**$51.7M**	**$64.9M**	$36.6M	$14.2M	$12.7M	$157.5M
Capital spending	**$15.9M**	**$29.1M**	$17.5M	$6.4M	$8.8M	$18.2M

Comparison of 2007 Results with Budget

- Earnings were $0.7 million below the $4.4 million budget.
- Revenues were $0.4 million lower than the $25.7 million budget due to results of the Bio Processing Centre.
- Expenses were $0.3 million higher than the $21.5 million budget primarily due to the increase in rental operations expenses, such as maintenance costs and food services.
- Investment in capital assets was $13.3 million below the $29.1 million budget primarily due to a delay in the design and tendering of building projects for Innovation Place, Regina.

2008 Outlook

- SOCO will continue to develop the research parks to ensure quality infrastructure is in place to support and grow Saskatchewan's technology sector.
- SOCO will complete the tenant improvements of its newest building at Innovation Place, Saskatoon and complete the leasing of the building.
- SOCO will continue with the construction of a new building at Innovation Place, Regina.
- SOCO will request approval of at least one building project for Innovation Place, Regina during 2008.
- SOCO will continue to resolve the financing alternatives for the Green Sciences building to ensure the project is viable.

Key Factors Affecting Performance

- Construction costs for new buildings.
- Interest rates on borrowing for new buildings.
- Vacancy rates in SOCO buildings.
- Market rental rates.
- Cash flow from operations generated to support equity portion of new construction.

Consolidated Financial Statements

Responsibility for Financial Statements

The accompanying Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan. They have been prepared in accordance with generally accepted accounting principles in Canada, consistently applied, using management's best estimates and judgements where appropriate. Management is responsible for the reliability and integrity of the Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, the Corporation's external auditors KPMG LLP, and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG LLP has audited the Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Consolidated Financial Statements, appears opposite.

Ron Styles
President & CEO

March 31, 2008

Blair Swystun, CFA
Vice-President & CFO

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2007 and the consolidated statements of operations and retained earnings, comprehensive income, accumulated comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 31, 2008

Consolidated Statement of Financial Position

As at December 31 (thousands of dollars)		2007		2006
ASSETS				
Current				
Cash and cash equivalents (Note 1(e))	$	**848,238**	$	581,783
Investments (Note 3)		**356,824**		20,148
Accounts receivable		**586,349**		605,033
Inventories (Note 4)		**338,868**		343,451
Prepaid expenses		**124,790**		117,279
Assets from discontinued operations (Note 5)		-		236,763
NewGrade Energy Inc. (Note 6)		-		149,781
		2,255,069		2,054,238
Investments (Note 3)		**1,164,715**		1,006,887
Property, plant and equipment (Note 7)		**5,952,489**		5,884,049
Other assets (Note 8)		**256,705**		256,168
Long-term assets of discontinued operations (Note 5)		-		459,820
	$	**9,628,978**	$	9,661,162
LIABILITIES AND PROVINCE'S EQUITY				
Current				
Bank indebtedness	$	**29,082**	$	62,265
Accounts payable and accrued liabilities		**606,677**		652,196
Notes payable (Note 9)		**140,484**		118,506
Dividend payable to General Revenue Fund		**200,000**		167,000
Deferred revenue		**223,559**		204,560
Income taxes payable		**8,092**		-
Liabilities from discontinued operations (Note 5)		-		112,376
NewGrade Energy Inc. (Note 6)		-		91,345
Long-term debt due within one year (Note 10)		**490,520**		173,532
		1,698,414		1,581,780
Long-term debt (Note 10)		**3,226,998**		3,491,525
Other liabilities (Note 11)		**521,945**		493,653
Long-term liabilities from discontinued operations (Note 5)		-		443,767
		5,447,357		6,010,725
Province of Saskatchewan's Equity				
Equity advances (Note 12)		**1,181,152**		1,181,152
Other equity items		**605**		(2,066)
Retained earnings		**2,973,441**		2,471,351
Accumulated other comprehensive income		**26,423**		-
		4,181,621		3,650,437
	$	**9,628,978**	$	9,661,162

Commitments and contingencies (Note 13)

(See accompanying notes)

On behalf of the Board:

Ken Cheveldayoff

Director

Bill Boyd.

Director

Consolidated Statement of Operations and Retained Earnings

For the Year Ended December 31 (thousands of dollars)	2007	2006
REVENUE		
Sales of products and services	$ **4,334,654**	$ 4,298,900
Investment (Note 3(g))	**106,835**	96,816
Other	**14,100**	10,372
	4,455,589	4,406,088
EXPENSES		
Operating costs other than those listed below	**3,251,424**	3,318,622
Interest (Note 14)	**264,098**	261,864
Amortization of property, plant and equipment	**458,743**	428,524
Saskatchewan taxes and resource payments (Note 15)	**103,004**	100,646
	4,077,269	4,109,656
Earnings before the following	**378,320**	296,432
Future income tax recovery (Note 16)	**8,036**	866
Current income tax expense (Note 16)	**(1,000)**	(1,718)
Non-recurring items (Note 17)	**(13,468)**	18,942
Gain on sale - NewGrade Energy Inc. (Note 6)	**250,090**	-
Provision for environmental liabilities (Note 18)	**(24,077)**	-
EARNINGS FROM CONTINUING OPERATIONS	**597,901**	314,522
Gain from discontinued operations (Note 5)	**23,828**	23,691
NewGrade Energy Inc. net earnings (Note 6)	**74,607**	102,906
NET EARNINGS	**696,336**	441,119
RETAINED EARNINGS, BEGINNING OF YEAR	**2,471,351**	2,197,232
ADJUSTMENT DUE TO CHANGE IN ACCOUNTING POLICY (Note 1(c))	**5,754**	-
	3,173,441	2,638,351
DIVIDEND TO GENERAL REVENUE FUND	**(200,000)**	(167,000)
RETAINED EARNINGS, END OF YEAR	$ **2,973,441**	$ 2,471,351

(See accompanying notes)

Consolidated Statement of Comprehensive Income

For the Year Ended December 31 (thousands of dollars)		2007
NET EARNINGS	$	696,336
Foreign currency translation adjustments		(3,057)
Unrealized gain on cash flow hedges		17,744
Unrealized gain on available-for-sale investments		8,036
Reclassification to income of available-for-sale investments		(9,613)
Other comprehensive income, net of income tax		13,110
COMPREHENSIVE NET INCOME	$	709,446

Consolidated Statement of Accumulated Other Comprehensive Income

For the Year Ended December 31 (thousands of dollars)		2007
ACCUMULATED OTHER COMPREHENSIVE INCOME		
Balance, beginning of year	$	(2,066)
Change in accounting policy (Note 1 (c))		15,379
Other comprehensive income		13,110
BALANCE, END OF YEAR	$	26,423

Consolidated Statement of Cash Flows

For the Year Ended December 31 (thousands of dollars)	2007	2006
OPERATING ACTIVITIES		
Net earnings	$ 696,336	$ 441,119
Items not affecting cash from operations (Note 19)	172,332	263,642
	868,668	704,761
Net change in non-cash working capital balances related to operations	66,837	51,821
Cash provided by operating activities from continuing operations	935,505	756,582
Cash (used in) provided by NewGrade Energy Inc.	(33,757)	155
Cash provided by operating activities from discontinued operations	64,864	12,249
Cash provided by operating activities	966,612	768,986
INVESTING ACTIVITIES		
Purchase of investments	(1,213,659)	(733,798)
Proceeds from sales and collections of investments	1,162,823	751,432
Purchase of property, plant and equipment	(574,795)	(630,107)
Proceeds from sale of property, plant and equipment	26,536	8,806
(Increase) decrease in other assets	(28,459)	11,874
Cash used in investing activities	(627,554)	(591,793)
FINANCING ACTIVITIES		
Increase in notes payable	21,978	9,198
(Decrease) increase in other liabilities	(420)	13,434
Net sinking fund installments	(32,331)	(29,333)
Long-term debt proceeds from General Revenue Fund	183,680	153,463
Long-term debt proceeds from other lenders	5,593	7,346
Long-term debt repayments to General Revenue Fund	(125,126)	(163,838)
Long-term debt repayments to other lenders	(16,683)	(71,877)
Dividend paid to General Revenue Fund	(167,000)	(221,000)
Cash used in financing activities	(130,309)	(302,607)
NET CHANGE IN CASH DURING YEAR	208,749	(125,414)
CASH POSITION, BEGINNING OF YEAR	610,407	735,821
CASH POSITION, END OF YEAR	$ 819,156	$ 610,407
Cash position consists of:		
Cash from continuing operations	$ 848,238	$ 581,783
Bank indebtedness from continuing operations	(29,082)	(62,265)
	819,156	519,518
Cash from NewGrade Energy Inc.	-	18,587
Cash from discontinued operations	-	74,903
Bank indebtedness from discontinued operations	-	(2,601)
	$ 819,156	$ 610,407

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 2007

1. **Summary of Significant Accounting Policies**

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles, within reasonable limits of materiality, using the accounting policies summarized below:

a) Consolidation principles and basis of presentation

Certain Saskatchewan provincial Crown corporations are designated as subsidiary Crown corporations of Crown Investments Corporation of Saskatchewan (CIC) under **The Crown Corporations Act, 1993** (the Act). In addition, certain Saskatchewan provincial Crown corporations created under the Act are CIC Crown corporations. The Act assigns specific financial and other responsibilities regarding these corporations to CIC.

In addition to the Crown corporations listed below, CIC also consolidates the accounts of Gradworks Inc., a wholly-owned non-profit subsidiary, and the following wholly-owned share capital subsidiaries: First Nations and Métis Fund Inc.; CIC Economic Holdco Ltd.; and CIC Apex Equity Holdco Ltd.

Separate audited financial statements for CIC have been prepared on a non-consolidated basis to show the financial position and results of operations of the corporate entity. In addition, separate audited financial statements for each of the undernoted Crown corporations are prepared and released publicly.

The following Crown corporations have been designated or created as subsidiary Crown corporations of CIC and have been consolidated in these financial statements:

Information Services Corporation of Saskatchewan (ISC)
Investment Saskatchewan Inc. (IS)
SaskEnergy Incorporated (SaskEnergy)
Saskatchewan Development Fund Corporation (SDFC)
Saskatchewan Government Growth Fund Management Corporation (SGGFMC)
Saskatchewan Government Insurance (SGI)
Saskatchewan Opportunities Corporation (SOCO)
Saskatchewan Power Corporation (SaskPower)
Saskatchewan Telecommunications Holding Corporation (SaskTel)
Saskatchewan Telecommunications
Saskatchewan Transportation Company (STC)
Saskatchewan Water Corporation (SaskWater)

Throughout these financial statements the phrase "the Corporation" is used to collectively describe the activities of the consolidated entity.

b) Joint ventures

The Corporation's interest in jointly controlled enterprises included in these financial statements are as follows:

Apex Investment Limited Partnership	**60%**
Centennial Foods Partnership	**33%**
Cory Cogeneration Funding Corporation	**50%**
Cory Cogeneration Joint Venture	**50%**
Foragen Technologies Limited Partnership	**33%**
Heritage Gas Limited	**50%**
Kisbey Gas Gathering and Processing Facility	**50%**
NewGrade Energy Inc. (Note 6)	**50%**
Saskatchewan Entrepreneurial Fund Joint Venture	**45%**

Notes to Consolidated Financial Statements

December 31, 2007

1. **Summary of Significant Accounting Policies (continued)**

c) Change in accounting policy

Effective January 1, 2007, the Corporation adopted the accounting recommendations for accounting changes (Canadian Institute of Chartered Accountants (CICA) Handbook Section 1506) in accordance with the transitional provisions of the section. The new standard allows for voluntary changes in accounting policy only if they result in the consolidated financial statements providing reliable and more relevant information. New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. The adoption of section 1506 has had no material impact on these consolidated financial statements.

On January 1, 2007, the Corporation adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, financial instruments - recognition and measurement, CICA Handbook Section 3861, financial instruments - disclosure and presentation, CICA Handbook Section 1530, comprehensive income, CICA Handbook Section 3865, hedges and CICA Handbook Section 3251, equity. The comparative consolidated financial statements have not been restated.

Financial assets and financial liabilities

These standards require that all financial assets and financial liabilities be classified as held-to-maturity, held-for-trading, available-for-sale, loans and receivables, or other liabilities. In addition, the standards require all financial assets and liabilities, including all derivatives, be measured at fair value with the exception of loans and receivables, held-to-maturity investments and other financial liabilities. Financial assets can be classified as held-for-trading, available-for-sale, held-to-maturity, and loans and receivables. Cash and cash equivalents and bank indebtedness are classified as held-for-trading. Accounts receivable are classified as loans and receivables. Investments are classified as per Note 3. Accounts payable and accrued liabilities are classified as other liabilities. Notes payable are classified as held-for-trading. Dividend payable to the General Revenue Fund and income taxes payable are classified as other liabilities. Long-term debt due within one year and long-term debt are classified as other liabilities. Fair values are based on quoted market prices, specifically the latest bid price, where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models. Financial assets purchased and sold, where the contract requires the asset to be delivered within an established time frame, are recognized on a trade-date basis. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments in which case the transaction costs are expensed as incurred.

As required, these standards have been applied as an adjustment to opening retained earnings and accumulated other comprehensive income. Accumulated other comprehensive income is included on the consolidated statement of financial position as a separate component of the Province of Saskatchewan's equity.

The new standards require that the Corporation present a consolidated statement of comprehensive income, which is comprised of net earnings, foreign currency translation gains and losses, unrealized gains and losses on cash flow hedges and unrealized gains and losses on available-for-sale investments. Other comprehensive net income refers to items recognized in comprehensive net income that are excluded from net earnings calculated in accordance with generally accepted accounting principles in Canada.

Held-for-trading

Financial assets and financial liabilities that are designated as held-for-trading or purchased and incurred with the intention of generating profits in the near term, and are part of a portfolio of financial instruments that are managed together where there is evidence of a recent actual pattern of short-term profit taking are classified as held-for-trading. All gains and losses are included in net earnings in the period in which the gains and losses arise. If the financial assets or financial liabilities are designated as a cash flow hedge and meet the criteria, the gain or loss is temporarily posted to other comprehensive income. The gain or loss will be reclassified into net earnings in the period that the derivative instrument is settled.

Notes to Consolidated Financial Statements

December 31, 2007

1. **Summary of Significant Accounting Policies (continued)**

c) Change in accounting policy (continued)

Available-for-sale

Financial assets classified as available-for-sale are carried at fair value with the changes in fair value recorded in other comprehensive income. The revaluation gains and losses are included in other comprehensive income until the asset is disposed.

Investments that are classified as available-for-sale and do not have an active market value are recorded at cost. Available-for-sale investments are written down to fair value through net earnings whenever it is necessary to reflect other than temporary impairment. Previously, such write-downs were recorded in net realized value. Gains and losses realized on disposal of available-for-sale securities, which are calculated on an average cost basis, are recognized in net earnings.

Held-to-maturity

Financial assets classified as held-to-maturity have fixed or determinable payments, a fixed maturity, and the Corporation has the positive intention and ability to hold to maturity. These financial assets are accounted for at amortized cost using the effective interest rate method. Amortized premiums or discounts and other than temporary losses due to impairment are included in net earnings.

Loans and receivables

Loans or receivables are accounted for at amortized cost using the effective interest rate method.

Other liabilities

Other liabilities are accounted for at amortized cost using the effective interest rate method.

Derivatives and hedge accounting

The new standards require that all derivatives be recorded at fair value. The Corporation will continue to designate hedges as either cash flow or fair value hedges.

Embedded derivatives

Derivatives may be embedded in other host instruments. Under the new standards embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, when the embedded derivative has the same terms as those of a stand-alone derivative, and the combined contract is not held-for-trading or designated at fair value. These embedded derivatives are measured at fair value with subsequent changes recognized in net earnings. The Corporation selected January 1, 2003 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives.

The Corporation had outstanding natural gas sales contracts with embedded derivatives as at December 31, 2006 and December 31, 2007. These contracts are for non-regulated contract sales to larger end-use customers in Saskatchewan. These embedded derivatives are recorded at fair value on the consolidated statement of financial position.

Notes to Consolidated Financial Statements

December 31, 2007

1. Summary of Significant Accounting Policies (continued)

c) Change in accounting policy (continued)

Hedge accounting

At the inception of a hedging relationship, the Corporation documents the relationship between the hedging instrument and the hedged item, its risk management objective and its strategy for undertaking the hedge. The Corporation also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risk in the fair values or cash flows of the hedged items.

When derivatives are designated as hedges, the Corporation classifies the hedges as:

(i) hedges of the change in fair value of recognized assets or liabilities or firm commitments (fair value hedges);

(ii) hedges of the variability in highly probable future cash flows attributable to a recognized asset or liability, or a forecasted transaction (cash flow hedge); or

(iii) hedges of net investments in a foreign operation (net investment hedges).

Fair value hedges

Certain of the Corporation's fair value hedges principally consist of interest rate swaps that are used to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates.

Changes in the fair value of derivatives that are designated as fair value hedging instruments are recorded in the consolidated statement of operations and retained earnings, along with changes in the fair value of the assets, liabilities or groups thereof that are attributable to the hedged risk. Any gains or losses in fair value relating to the ineffective portion of the hedging relationship is recognized immediately in the consolidated statement of operations and retained earnings.

If a hedging relationship no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of the hedged item is amortized to the statement of net earnings based on a recalculated effective interest rate over the residual period to maturity, unless the hedged item has been derecognized in which case it is recognized in the consolidated statement of operations and retained earnings immediately.

Cash flow hedges

The Corporation is exposed to future interest expense cash flows on non-trading liabilities that bear interest at variable rates, and commodity price cash flows on inputs consumed in their operations. The amounts and timing of future cash flows, representing interest expense and input costs, are projected for each portfolio of financial liabilities on the basis of their contractual terms and other relevant factors, including estimates of prepayments.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income. Any gain or loss in fair value relating to the ineffective portion is recognized immediately in the consolidated statement of operations and retained earnings. Amounts accumulated in other comprehensive income are reclassified to the consolidated statement of operations and retained earnings in the period in which the hedged item is recognized.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income until the hedging instrument is recognized in the consolidated statement of operations and retained earnings. Also, when an anticipated transaction is no longer probable, any cumulative gain or loss in other comprehensive income is recognized in net earnings.

Notes to Consolidated Financial Statements

December 31, 2007

1. **Summary of Significant Accounting Policies (continued)**

c) Change in accounting policy (continued)

Net investment hedges

Hedges of net investments in foreign operations are accounted for similar to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the consolidated statement of operations and retained earnings. Gains and losses accumulated in other comprehensive income are included in the consolidated statement of operations and retained earnings upon the repatriation or disposal of the investments in the foreign operation.

Upon the adoption of the new standards, the impact of applying this change in accounting policy prospectively effective January 1, 2007 was as follows:

Retained Earnings, Beginning of Year

As at January 1, 2007 (millions of dollars)		
Investments - fair value adjustment	$	5.8
Other adjustments		2.0
	$	7.8
Debt - effective interest rate method adjustment	$	2.0
Retained earnings, beginning of year - adjustment		5.8
	$	7.8

Impact of reclassifications

As at January 1, 2007 (millions of dollars)		
Investments - available-for-sale	$	34.3
Investments - held-for-trading		288.3
Other assets - fair value of cash flow hedges		(5.2)
	$	317.4
Other liabilities - fair value of cash flow hedges	$	5.0
Debt		299.3
Accumulated other comprehensive income beginning of year - adjustment		13.1
	$	317.4

The Corporation discontinued its use of hedge accounting on its natural gas derivatives on December 30, 2006. The $13.0 million of unrealized losses on the previously designated natural gas hedges at December 30, 2006, have been recorded in accumulated other comprehensive income and will subsequently be reclassified to net income as the contracts mature. These natural gas contracts will all mature by October 31, 2011. Changes in the fair market value of these natural gas derivatives since December 30, 2006 have been recognized directly in net earnings.

Sinking funds were previously presented as a reduction of long-term debt based on the requirements to contribute to sinking funds for specific debt issues. Upon adoption of the new standards, the sinking funds are presented as investments held-for-trading. The long-term debt is reported at the gross amount of the debt.

1. Summary of Significant Accounting Policies (continued)

d) Variable interest entities

The Corporation consolidates certain entities over which the Corporation does not have voting control. Such an entity is referred to as a variable interest entity ("VIE"). In general, the investors of consolidated variable interest entities have recourse only to the assets of those variable interest entities and do not have recourse to the Corporation except where the Corporation has provided a guarantee to the investors.

An entity is classified as a VIE if it has (1) equity that is insufficient to permit the entity to finance its activities without additional subordinated financial support from other parties; or (2) equity investors that cannot make significant decisions about the entity's operations, or that do not absorb the expected losses or receive the expected returns of the entity. A VIE is consolidated by its primary beneficiary, which is the party involved with the VIE that will absorb a majority of the expected losses or will receive the majority of the expected residual returns or both, as a result of ownership, contractual or other financial interests in the VIE.

The Corporation has determined that the following entities fall under the classification of a VIE and have been consolidated in these financial statements:

Meadow Lake Pulp Limited Partnership (MLPLP)
212822 Saskatchewan Ltd.

MLPLP's and 212822 Saskatchewan Ltd.'s impact is not material to the Corporation's consolidated results of its operations.

e) Cash and cash equivalents

Cash and cash equivalents include short-term investments that have a maturity date of ninety days or less. At December 31, 2007 the Corporation had $809.4 million in short-term investments with interest rates ranging from 3.8 per cent to 4.8 per cent.

f) Inventories

Inventories for resale are valued at the lower of average cost and net realizable value. Other supplies inventories are valued at the lower of cost and replacement cost.

g) Property, plant and equipment

Property, plant and equipment are recorded at cost and include materials, services, direct labour and overhead costs which are readily identifiable with the construction activity or asset acquisition. Interest costs associated with major capital and development projects are capitalized during the construction period at the effective interest rate of long-term borrowings in the current year. Assets under construction are recorded as in progress until they are operational and available for use, at which time they are transferred to property, plant and equipment.

The costs of maintenance, repairs, renewals or replacements which do not extend productive life are charged to operations as incurred. The costs of replacements and improvements which extend productive life are capitalized.

When property, plant and equipment are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in net earnings for the year with the following exceptions. Natural gas utility operations apply this general policy only to complete asset units. Gains or losses on the disposal or retirement of incomplete asset units are included in accumulated amortization.

Customer capital contributions related to the construction of new service connections are applied against property, plant and equipment and are amortized on a straight-line basis over the estimated service life of the related asset.

1. Summary of Significant Accounting Policies (continued)

h) Amortization of property, plant and equipment

Amortization is recorded on machinery and equipment, buildings and improvements, as well as coal properties and rights, primarily on the straight-line basis over the estimated productive life of each asset as follows:

Machinery and equipment	2 - 50 years
Buildings and improvements	20 - 40 years
Coal properties and rights	30 years

i) Asset retirement obligations

The Corporation recognizes asset retirement obligations in the period they are incurred if a reasonable estimate of fair value (net present value) can be determined. An asset retirement obligation is a legal obligation associated with the decommissioning of a long-lived asset. The Corporation recognizes asset retirement obligations to decommission facilities in the period in which the facility is commissioned. For assets that are expected to be maintained and operated indefinitely, a reasonable estimate of fair value for the assets cannot be determined. Therefore, no obligation has been recorded.

The fair value of the estimated asset retirement costs is recorded as a liability in other liabilities with an offsetting amount capitalized and included as part of property, plant and equipment. The asset retirement obligations are increased annually for the passage of time by calculating accretion (interest) expense on the liability while the offsetting capitalized asset retirement costs are depreciated over the estimated useful life of the related asset. The accretion expense is calculated using an interest rate that equates to a risk-free interest rate adjusted for the credit standing of the Corporation and is included in consolidated statement of operations and retained earnings.

The calculations of fair value are based on detailed studies that take into account various assumptions regarding the anticipated future cash flows including the method and timing of decommissioning and estimates of future inflation.

Asset retirement obligations are revised periodically in accordance with changes in assumptions and estimates underlying the calculations and with experience arising from the removal of property, plant and equipment. Changes are recognized as an increase or decrease in the carrying amount of the liability for the asset retirement obligation and the related asset retirement cost.

j) Impairment of long-lived assets

The Corporation evaluates its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be fully recoverable. An impairment is recognized when the carrying amount of an asset exceeds the undiscounted cash flows expected from its use and eventual disposal. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

k) Disposal of long-lived assets and discontinued operations

Assets held for sale are measured at the lower of their carrying amounts and fair value less costs to dispose and are no longer amortized. Assets and liabilities held for sale are reported separately on the statement of financial position. A component of the Corporation that is held for sale is reported as a discontinued operation if the operations and cash flows of the component will be eliminated from the ongoing operations as a result of the disposal transaction and the Corporation will not have a significant continuing involvement in the operations of the component after the disposal transaction.

Notes to Consolidated Financial Statements

December 31, 2007

1. Summary of Significant Accounting Policies (continued)

l) Environmental remediation liabilities

Environmental remediation liabilities are accrued when the occurrence of an environmental expenditure, related to present or past activities of the Corporation, is considered probable and the costs of remedial activities can be reasonably estimated. These estimates include costs for investigations, remediation, operations, maintenance and monitoring at identified sites and are included in other liabilities. These liabilities are based on management's best estimate considering current environmental laws and regulations and have been recorded at undiscounted amounts. The Corporation reviews its estimates of future environmental expenditures on an ongoing basis.

m) Other assets

Natural gas in storage

Natural gas in storage held for resale (both current and non-current) is stated at the lower of cost and net realizable value. Natural gas held for resale removed from storage is accounted for on an average cost basis.

Deferred benefit pension asset

This represents the surplus in the defined benefit pension plans based on long-term assumptions. The deferred benefit pension asset is accounted for in the policy described in Note 1(s) Employee future benefits.

Customer accounts

Finite-life intangible assets, including customer accounts, acquired individually, with a group of other assets or through the Corporation's authorized dealers are recorded at cost. Customer accounts acquired are capitalized and amortized on a straight-line basis over the estimated useful lives of three to ten years from the date of acquisition.

Deferred supply agreements

Deferred supply agreements include payments made in accordance with long-term coal supply agreements. The Corporation is amortizing the deferred assets over the remaining life of the long-term coal supply agreements.

Goodwill

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired less liabilities assumed, based on their fair values. Goodwill is allocated as of the date of the business combination to the Corporation's reporting units that are expected to benefit from the synergies of the business combination. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. Any goodwill impairment is presented as a charge against earnings in the year impairment is recognized. The impairment test is carried out in two steps. In the first step, the carrying amount of the reporting unit is compared with its fair value. When the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and the second step of the impairment test is unnecessary. The second step is carried out when the carrying amount of a reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit's goodwill is compared with its carrying amount to measure the amount of the impairment loss, if any. The implied fair value of goodwill is determined in the same manner as the value of goodwill is determined in a business combination, using the fair value of the reporting units as if it was the purchase price. When the carrying amount of a reporting unit goodwill exceeds the implied fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess and is presented as a separate line item in the consolidated statement of operations and retained earnings before earnings from continuing operations.

n) Deferred revenue due within one year

Current deferred revenue primarily consists of insurance premiums. These unearned premiums are taken into income over the life of the policy.

Notes to Consolidated Financial Statements

December 31, 2007

1. Summary of Significant Accounting Policies (continued)

o) Provision for unpaid insurance claims

The provision for unpaid insurance claims represents an estimate of the total cost of outstanding claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding claims plus paid losses is reported as claims incurred in the current period.

The provision for unpaid claims is exempt from CICA Handbook Section 3855, financial instruments - recognition and measurement.

p) Revenue recognition

Gas marketing

Revenue from natural gas marketing is recorded in the consolidated financial statements upon completion of the delivery of natural gas to the customer. The Corporation acts as a principal in these natural gas marketing transactions, taking title to the natural gas purchased for resale, and assuming the risks and rewards of ownership. Changes in the fair value of outstanding marketing sales contracts are recorded as gains or losses in the period of change.

Natural gas commodity

Delivery and commodity revenue is recognized when natural gas is delivered to customers. The estimate of services rendered but not billed is included in accounts receivable.

Electricity

Electricity revenue is recognized upon delivery to the customer and includes an estimate of electrical deliveries not yet billed at year-end. Physical electricity trading revenues are reported on a gross basis upon completion of delivery of electricity to the customers.

Telecommunications

Revenues are recognized in the period the services are provided when there is clear proof that an arrangement exists, amounts are determinable and the ability to collect is reasonably assured. Revenues from local telecommunications, data, internet, entertainment and security services are recognized based on access to the Corporation's network and facilities at the rate plans in effect during the period the service is provided. Certain service connection charges and activation fees, along with corresponding direct costs, are deferred and recognized over the average expected term of the customer relationship. Revenues from long distance and wireless airtime are recognized based on the usage or rate plans in the period service is provided. Revenues from equipment sales are recognized when the equipment is delivered to and accepted by the customer. Revenues for longer term contracts are recognized based on a percentage of completion. Payments received in advance are recorded as deferred revenue until the product or service is delivered.

Customer solutions may involve the delivery of multiple services and products that occur at different points and over different periods of time. The multiple services are separated into their respective accounting units and consideration is allocated among the accounting units. The relevant revenue recognition policies are applied to each accounting unit.

Property and casualty insurance

Premiums written are taken into income over the terms of the related policies; no longer than twelve months. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Notes to Consolidated Financial Statements

December 31, 2007

1. **Summary of Significant Accounting Policies (continued)**

p) Revenue recognition (continued)

Investment income

Interest earned on investments is recognized on an accrual basis except where uncertainty exists as to ultimate collection. In cases where collectibility of interest is not reasonably assured, interest is recorded when it is received and accrued interest receivable is offset by deferred interest.

Other

Revenues from sales of reconstituted and synthetic crude are recorded on the basis of regular meter readings. Revenue from sales of other products is recognized when goods are shipped and title has passed to the customer or based on the right to revenue pursuant to contracts with customers, tenants and clients.

q) Foreign currency translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year end. Revenues, expenses and non-monetary items are translated at rates prevailing at the transaction date.

r) Financial instruments

The Corporation classifies its financial instruments into one of the following categories: held-for-trading; held-to-maturity; loans and receivables; available-for-sale; and other liabilities. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument.

Held-for-trading financial assets and liabilities are subsequently measured at fair value with changes in fair value recognized in net earnings. Available-for-sale financial assets are subsequently measured at fair value with changes in fair value recognized in other comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables, and other liabilities are subsequently measured at amortized cost using the effective interest rate method.

All derivative financial instruments are recognized as a financial asset or a financial liability on the trade date.

The Corporation uses hedge accounting for interest rate swaps used to hedge long-term debt and foreign currency forward contracts used to hedge capital expenditures denominated in a foreign currency and sales and purchases denominated in a foreign currency. Interest rate swaps and foreign currency forward contracts are designated as cash flow hedges. The effective portion of changes in the fair value is recognized in other comprehensive income while any ineffective portion of changes in the fair value is recognized immediately in net earnings. Gains and losses are recognized in net earnings in the same period as the hedged item is settled.

Derivative financial instruments that do not qualify as a hedge and derivative financial instruments not designated as a hedge are classified as held-for-trading and are recorded at fair value in the consolidated statement of financial position in accounts receivables or accounts payable as applicable. The change in the fair value of these derivatives (gain or loss) is recorded in net earnings and classified within the revenue or expense category to which they relate.

For transitional purposes, the Corporation has elected to record embedded derivatives only for contracts or financial instruments entered into or modified after January 1, 2003. The Corporation has outstanding natural gas sales contracts with embedded derivatives as at December 31, 2006 and December 31, 2007. These contracts are for non-regulated contract sales to larger end-use customers in Saskatchewan. These embedded derivatives are recorded at fair value on the consolidated statement of financial position.

1. Summary of Significant Accounting Policies (continued)

s) Employee future benefits

The Corporation has three defined benefit pension plans, a defined contribution pension plan, and other plans that provides retirement benefits for its employees. For its defined benefit plans, the Corporation has adopted the following policies:

i) For the purpose of calculating the expected return on plan assets, those assets are valued at fair value, which approximates market value.
ii) Pension obligations are determined by independent actuaries using the projected benefit method prorated on service and management's best estimate assumptions of expected plan investment performance, salary escalation, age at retirement, mortality of members and future pension indexing, based upon the consumer price index.
iii) The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date of high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments.
iv) Past service costs from plan amendments and the transitional asset are amortized on a straight-line basis over a period of time which is a blending of the expected average remaining service lifetime of the active members and the future life expectancy of the pensioners.
v) The excess of the net actuarial gain (loss) over 10 per cent of the greater of the accrued benefit obligation and the fair value of the plan assets is amortized over a period of time which is a blending of the expected average remaining service lifetime of the active members and the future life expectancy of the pensioners, or the plan assets are amortized over the remaining life of retired members of the plan.
vi) When the restructuring of a benefit plan results in a settlement and a curtailment of obligations, the curtailment is accounted for prior to the settlement.

The Corporation also provides defined benefit service recognition plans for employees. The cost of the plan is determined using the projected benefit method prorated on service. The Corporation has a retiring allowance plan. The cost of future retirement allowance benefits earned by employees under this plan is actuarially determined using the projected benefit method and management's best estimates.

t) Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Significant items subject to estimates and assumptions include the carrying amounts of property, plant and equipment and underlying estimations of useful lives of depreciable assets, capitalization of interest, disposal of long-lived assets, asset retirement obligations, and labour and overhead; provision for unpaid claims; the carrying amounts of accounts receivable, inventory, investments, natural gas in storage, goodwill, and customer accounts; the accounting for variable interest entities, discontinued operations, fair value of financial instruments, and environmental liabilities; and the carrying amounts of employee future benefits and underlying actuarial assumptions. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Notes to Consolidated Financial Statements

December 31, 2007

1. **Summary of Significant Accounting Policies (continued)**

u) Future accounting policy changes

Capital disclosures

The new recommendations of the Canadian Institute of Chartered Accountants (CICA) for capital disclosures (CICA Handbook Section 1535) will become effective for the Corporation's 2008 fiscal year. The new recommendations establish standards for disclosing information about the Corporation's capital (debt and equity) and how it is managed. Specifically, information should be disclosed to enable users of the financial statements to evaluate the Corporation's objectives, policies and processes for managing capital. The Corporation does not expect to be materially affected by the new recommendations.

Financial instruments - disclosures

The new recommendations of the CICA for financial instruments - disclosures (CICA Handbook Section 3862) replace the existing disclosure recommendations of financial instruments - disclosure and presentation (CICA Handbook Section 3861). The new recommendations will apply to the Corporation's 2008 fiscal year and will result in additional disclosure for financial instruments and the nature, extent and management of risks arising from financial instruments to which the Corporation is exposed.

Financial instruments - presentation

The existing recommendations of the CICA for financial instruments presentation in financial instruments - presentation and disclosure (CICA Handbook section 3861) are carried forward, unchanged as financial instruments-presentation (CICA Handbook section 3863).

Inventories

The new recommendations of the (CICA) for inventories (CICA Handbook section 3031) will become effective for fiscal years beginning on or after January 1, 2008. The new recommendations establish standards for the determination of the cost of the inventories and the subsequent recognition as expense, including any write-down to net realizable value and reversals of previous write-downs for increases to net realizable value. The Corporation does not expect to be materially affected by the new recommendations.

2. **Status of Crown Investments Corporation of Saskatchewan**

Crown Investments Corporation of Saskatchewan was established by Order in Council 535/47 dated April 2, 1947, and is continued under the provisions of **The Crown Corporations Act, 1993**. The Corporation is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes. Certain jointly controlled enterprises and subsidiaries are not Provincial Crown corporations and are subject to Federal and Provincial income taxes.

Notes to Consolidated Financial Statements
December 31, 2007

3. **Investments**

(thousands of dollars)	2007	2006
Current Investments		
Held-to-maturity	$ 2,049	$ 1,629
Held-for-trading	306,627	-
Available-for-sale	48,148	18,519
	$ 356,824	$ 20,148

(thousands of dollars)	Voting Percentage	2007	2006
Equity Investments (a)			
Saskferco Products Inc. (b)	49.5%	$ 134,708	$ 127,714
ML OSB Limited Partnership (c)	25.0%	30,740	34,334
MRM Cogeneration Station (d)	30.0%	30,065	31,814
Other share investments - Equity basis		53,051	44,127
		248,564	237,989
Portfolio Investments			
Share investments - Held-for-trading		12,603	-
Share investments - Available-for-sale		146,803	72,132
Share investments - Cost		32,388	39,239
		191,794	111,371
Bonds, Debentures, Loans and Notes Receivable			
Bonds and debentures - Held-to-maturity		2,657	2,762
Bonds and debentures - Held-for-trading		4,908	-
Bonds and debentures - Available-for-sale		318,885	343,376
Loans and notes receivable		56,810	17,422
		383,260	363,560
Leases Receivable		1,627	3,573
Sinking Funds (e) - Held-for-trading		337,400	290,304
Other - Held-for-trading		2,070	90
		$ 1,164,715	$ 1,006,887

Notes to Consolidated Financial Statements

December 31, 2007

3. Investments (continued)

a) Investments accounted for on the equity basis are exempt from CICA Section 3855 - financial instruments - recognition and measurement.

b) The Corporation owns all of the outstanding 68,449,080 (2006 - 68,449,080) Class B common shares of Saskferco Products Inc. (Saskferco) representing a 49.5 per cent interest.

c) The Corporation is a limited partner in Meadow Lake OSB Limited Partnership (ML OSB). ML OSB operates an oriented strand board facility near Meadow Lake, Saskatchewan. The Corporation holds a 25 per cent interest in ML OSB (2006 - 25.0 per cent).

The Corporation has issued 19,980,000 options to certain parties to purchase its units of ML OSB. The exercise price on 9,980,000 units is fair market value, and the exercise price on 10,000,000 units is cost, plus pro-rata share of capital taxes paid, less distributions received, plus interest. The expiry date for 9,980,000 units is October 2008 and the expiry date for 10,000,000 units is December 2011. If all options are exercised, the Corporation's interest would be diluted to 6.8 per cent.

The Corporation calculates its share of earnings using the equity method for the 9,980,000 units and the 7,500,000 non-optioned units, and the modified cost method, as described above, is used for the remaining 10,000,000 units.

d) The Corporation has a 30.0 per cent ownership interest in the MRM Cogeneration Station (2006 - 30.0 per cent). The 170 megawatt natural gas-fired cogeneration facility is located at the Athabasca Oil Sands Project's Muskeg River Mine, north of Fort McMurray, Alberta.

e) The changes in the carrying amount of sinking funds are as follows:

(thousands of dollars)		2007		2006
Sinking funds, beginning of year	$	**290,304**	$	245,615
Net installments		**28,043**		29,933
Earnings		**12,574**		14,756
Valuation adjustment		**6,479**		-
Sinking funds, end of year	**$**	**337,400**	$	290,304

Sinking fund installments due in each of the next five years are as follows:

(thousands of dollars)		2007
2008	**$**	**33,363**
2009		**30,483**
2010		**30,483**
2011		**28,783**
2012		**28,783**

f) The Corporation holds one Class B share of Cameco Corporation (Cameco) which provides the Corporation with the ability to exercise special voting rights with respect to the location of Cameco's head office.

3. Investments (continued)

g) Included in investment revenue are earnings (losses) from equity investments as follows:

(thousands of dollars)		2007		2006
Saskferco Products Inc.	$	**38,935**	$	15,136
MRM Cogeneration Station		**(1,749)**		8,449
ML OSB Limited Partnership		**(3,311)**		1,751
Other		**(5,665)**		(432)
	$	**28,210**	$	24,904

4. Inventories

(thousands of dollars)		2007		2006
Raw materials	$	**144,876**	$	176,214
Natural gas in storage held for resale		**149,305**		124,467
Finished goods		**40,432**		38,825
Work-in-progress		**4,255**		3,945
	$	**338,868**	$	343,451

5. Discontinued Operations

The Corporation had previously determined that Crown Life Insurance Company and Centennial Foods Partnership would be discontinued. The Corporation has classified as discontinued operations, the assets and liabilities, revenues and expenses, and cash flows of these businesses for 2007.

Crown Life Insurance Company (Crown Life)

In 1999, substantially all of Crown Life's insurance business was sold or indemnity reinsured to The Canada Life Assurance Company (Canada Life). The resulting comprehensive agreement between Crown Life and its principal shareholders provided that at any time after January 1, 2004, Canada Life may have either acquired substantially all of the balance of Crown Life's insurance business or, at the election of Canada Life or Crown Life's principal shareholders, make an offer for all of the common shares of Crown Life. In July 2003, Great West Life acquired Canada Life, which resulted in a delay in the start of negotiations with Crown Life on the final settlement of the Canada Life transaction.

The final close occurred on July 6, 2007 and resulted in the distribution of cash and invested assets and liabilities to the shareholders. The Corporation has determined that it has no continuing involvement in the operation of Crown Life after completion of the final close, and has classified as discontinued operations, the operating results of Crown Life for 2007 and 2006.

5. **Discontinued Operations (continued)**

Centennial Foods Partnership (Centennial)

On July 30, 2005, Centennial restructured its operations into three separate partnerships, Centennial Foodservice Partnership, New Food Classics Partnership, and Centennial 67 Partnership.

In February 2006, New Food Classics Partnership was sold to a third party. During 2007, the Corporation disposed of its interests in Centennial Foodservice Partnership and Centennial 67 Partnership. The Corporation has determined that it has no continuing involvement in the operations of this business after completion of the sales. Therefore, the Corporation classified as discontinued operations, the operating results of Centennial for 2007 and 2006.

Meadow Lake Pulp Limited Partnership (MLPLP)

At December 31, 2006, the Corporation was unable to determine whether the Corporation would have any significant continuing involvement in the operations of the business of MLPLP after a disposal transaction that occurred during 2007. Therefore, the Corporation classified as discontinued operations, the operating results of MLPLP for 2006. In 2007, the Corporation determined that it would have a continuing interest of 20 per cent in the former business of MLPLP and, as a result, reclassified the operations of MLPLP to continuing operations for both 2007 and 2006.

Assets held for disposal relating to Crown Life and Centennial are comprised of the following:

(thousands of dollars)	2007	2006
Cash	$ -	$ 74,903
Accounts receivable	-	10,388
Inventory	-	4,523
Prepaid expenses	-	60
Short-term investments	-	135,528
Long-term assets classified as current	-	11,361
	-	236,763
Long-term investments	-	429,235
Property, plant and equipment	-	1,786
Other assets	-	28,799
	-	459,820
	$ -	$ 696,583

Notes to Consolidated Financial Statements
December 31, 2007

5. Discontinued Operations (continued)

Obligations of Crown Life and Centennial held for disposal are comprised of the following:

(thousands of dollars)	2007	2006
Bank indebtedness	$ -	$ 2,601
Accounts payable and accrued liabilities	-	109,093
Long-term liabilities classified as current	-	682
	-	112,376
Long-term debt	-	7,430
Other liabilities	-	369,007
	-	376,437
Non-controlling interest	-	67,330
	-	443,767
	$ -	$ 556,143

Discontinued operations of Crown Life and Centennial are comprised of the following:

(thousands of dollars)	2007	2006
Revenue	$ **55,213**	$ 118,648
Expenses	**(53,603)**	(103,820)
	1,610	14,828
Gain on sale of discontinued operations	**22,218**	8,863
Gain from discontinued operations	$ **23,828**	$ 23,691

Notes to Consolidated Financial Statements
December 31, 2007

6. **NewGrade Energy Inc.**

On September 5, 2007, the Corporation announced that it had reached an agreement with a third party to purchase the Corporation's interest in NewGrade Energy Inc. (NewGrade) for $325.0 million plus cash surplus on NewGrade's 2007 earnings. This agreement was subject to Consumers' Co-operative Refineries Ltd.'s (CCRL) right of first refusal. On September 26, 2007 CCRL notified the Corporation that it would purchase the Corporation's interest in NewGrade. On November 1, 2007 the Corporation completed the sale of NewGrade which resulted in net proceeds of $383.1 million, generating a gain on sale of $250.1 million.

Due to the sale of NewGrade, the Corporation has removed NewGrade's results from its ongoing financial position and operations as follows:

(thousands of dollars)		2007		2006
Statement of financial position				
Current assets	**$**	**-**	$	122,778
Long-term assets		**-**		27,003
Current liabilities		**-**		90,460
Long-term liabilities		**-**		885
Statement of operations				
Revenues	**$**	**884,855**	$	865,326
Expenses		**810,248**		762,420
Net earnings		**74,607**		102,906
Statement of cash flows				
Cash provided by operating activities	**$**	**52,037**	$	114,903
Cash used in investing activities		**(1,314)**		(2,571)
Cash used in financing activities		**(10,144)**		(9,271)

Notes to Consolidated Financial Statements
December 31, 2007

7. Property, Plant and Equipment

(thousands of dollars)		2007		2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Machinery and equipment	$ 10,067,327	$ 5,250,357	$ 4,816,970	$ 4,746,175
Buildings and improvements	1,335,682	643,990	691,692	693,522
Plant under construction	303,540	-	303,540	315,962
Land, coal properties and rights	239,849	99,562	140,287	128,390
	$ 11,946,398	$ 5,993,909	$ 5,952,489	$ 5,884,049

During the year the Corporation recorded long-lived asset impairment of $15.8 million (2006 - $Nil) which has been included in accumulated amortization.

8. Other Assets

(thousands of dollars)	2007	2006
Deferred pension costs (Note 24)	$ 89,397	$ 83,364
Natural gas in storage	36,283	32,375
Customer accounts acquired (a)	28,289	28,369
Restricted cash (b)	24,819	9,635
Deferred supply agreements	20,004	26,183
Goodwill	18,841	21,333
Future income tax asset (Note 16)	3,858	5,612
Other deferred charges	35,214	49,297
	$ 256,705	$ 256,168

(a) Amortization of other assets acquired for the year ended December 31, 2007 was $6.2 million (2006 - $5.8 million) and is expensed as part of operating costs.

(b) Restricted cash consists of cash held by the receiver of Meadow Lake Pulp Limited Partnership of $20.0 million (2006 - $Nil) and is subject to the order of the Court of Queen's Bench of Saskatchewan, and cash held in margin accounts to fund hedging programs of $4.8 million (2006 - $9.6 million).

9. Notes Payable

Notes payable are due to the General Revenue Fund (GRF). These notes are due on demand and have an effective interest rate of 3.89 per cent (2006 - 4.07 per cent).

10. Long-Term Debt

(thousands of dollars)	2007		2006	
	Principal Outstanding	Effective Interest Rate	Principal Outstanding	Effective Interest Rate
Years to Maturity				
A. General Revenue Fund				
1 - 5 years	$ 722,238	7.85	$ 799,167	7.90
6 - 10 years	318,767	5.89	290,617	5.86
11 - 15 years	785,688	9.88	289,369	9.63
16 - 20 years	178,800	8.71	675,120	9.10
21 - 25 years	520,000	6.13	160,000	5.69
26 - 30 years	925,000	5.35	1,285,000	5.67
31 plus years	100,000	4.49	-	-
Total due to GRF	3,550,493		3,499,273	
B. Other long-term debt				
(due 2008 to 2044)	152,990	6.51	165,784	8.79
	3,703,483		3,665,057	
Due within one year	(490,520)		(173,532)	
Unamortized debt premium	14,035		-	
TOTAL LONG-TERM DEBT	$ 3,226,998		$ 3,491,525	

Principal repayments due in each of the next five years are as follows:

(thousands of dollars)	
2008	$ 490,520
2009	62,239
2010	175,106
2011	27,522
2012	65,926

Sinking funds were previously presented as a reduction of long-term debt based on the requirements to contribute to sinking funds for specific debt issues. Upon adoption of the change in accounting policies, sinking funds are disclosed as investments held-for-trading and long-term debt is reported at the carrying amount of the debt.

There is a requirement attached to certain interest-bearing issues from the GRF to make annual payments into sinking funds in amounts representing 1 per cent to 3 per cent of the original issue. The cumulative annual payments plus interest earned are used for the retirement of debt issues, upon maturity, with the GRF on a net basis.

Notes to Consolidated Financial Statements

December 31, 2007

11. Other Liabilities

(thousands of dollars)		2007		2006
Provision for unpaid insurance claims	**$**	**285,567**	$	263,514
Environmental remediation liabilities		**102,643**		85,990
Asset retirement obligation (a)		**34,506**		32,682
Non-controlling interest		**27,472**		39,667
Management supplemental pension plans		**20,957**		18,019
Future tax liability (Note 16)		**12,075**		21,672
Deferred income		**12,065**		10,936
Other liabilities		**26,660**		21,173
	$	**521,945**	$	493,653

Provision for unpaid insurance claims, environmental remediation liabilities, asset retirement obligations and management supplemental pension plans are based on known facts and interpretation of circumstances that are influenced by a variety of factors. As a result, the recorded amount of these liabilities could change by a material amount in the near term.

(a) Asset retirement obligation

A reconciliation between the opening and closing asset retirement obligations balance is provided below:

(thousands of dollars)		2007		2006
Asset retirement obligation, beginning of year	**$**	**32,682**	$	31,202
Liabilities incurred in the period		**44**		1,223
Liabilities removed in the period		**(37)**		(1,532)
Accretion expense		**1,817**		1,789
Asset retirement obligation, end of year	**$**	**34,506**	$	32,682

12. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from the GRF to form its equity capitalization. The advances are an equity investment in the Corporation by the GRF.

13. Commitments and Contingencies

The following significant commitments and contingencies exist at December 31, 2007:

a) The Corporation has committed to provide $100.9 million in loans and equity for investment in Saskatchewan business.

b) The Corporation has a $5.0 million U.S. dollar guarantee related to certain obligations to its equity investment in Gas Sur S.A., established under provisions of the shareholders' agreement.

c) The Corporation has entered into power purchase agreements expected to cost $5,634.0 million until 2028 and provide approximately 469 MW of generating capacity.

d) The Corporation also has forward commitments of $1,636.0 million at 2007 prices extending until 2024 for future minimum coal deliveries.

13. Commitments and Contingencies (continued)

e) In 1998, one of the Corporation's subsidiaries entered into a twelve year hog supply agreement with Maple Leaf Foods (MLF) whereby MLF will purchase up to 85 per cent of the subsidiary's hog production to a total of 355,000 hogs per year. In addition, MLF has the first right of refusal on an additional 145,000 hogs to a total of 500,000 market hogs. The price to be paid by MLF will be determined based on the sale of the subsidiary's remaining hogs on a bona fide, arm's length, commercial basis.

f) The Corporation has guaranteed $7.0 million of energy savings to various customers. These guarantees are mitigated by third party guarantees to the Corporation.

g) On August 9, 2004, a proceeding under the **Class Actions Act** (Saskatchewan) was brought against several Canadian wireless and cellular service providers, including the Corporation. The proceeding involves allegations by wireless customers of breach of contract, misrepresentation, negligence, collusion, unjust enrichment and breach of statutory obligations concerning system administration fees. The Plaintiffs seek unquantified damages from the defendant wireless communications service providers. Similar proceedings have been filed by, or on behalf of, Plaintiffs' counsel in other provincial jurisdictions. On July 18, 2006, the Saskatchewan court declined to certify the action as a class action, but granted the plaintiffs leave to renew their application in order to further address certain statutory requirements respecting class actions. The Plaintiffs renewed their application for certification and the renewed application was heard in June of 2007. On September 17, 2007, the Saskatchewan court certified Plaintiffs proceedings as a class action with respect to an allegation of unjust enrichment only. The Corporation, together with all other defendants in the proceedings have filed motions with the Saskatchewan Court of Appeal seeking leave to appeal the decision of the court certifying the action as a class action. The Corporation believes that it has strong defenses to the allegations and that legal errors were made by the court in the certification proceeding. The Corporation's leave to appeal application is presently before the court of Appeal. No specific date has yet been set for the hearing of that application. Should the ultimate resolution of this action differ from management's assessments and assumptions, a material adjustment to the Corporation's financial position or results of operations could result.

h) On March 20, 2007, R.L.T.V. Investments Inc. brought a lawsuit against the Corporation and several current and former officers and employees. The lawsuit includes allegations that the Corporation wrongfully obtained its Multipoint Communications System (MCS) license in Saskatchewan and is legally responsible for the failure of Image Wireless Communications Inc. as a consequence of alleged breach of contract, intentional interference with trade or business, deceit, misrepresentation and breach of the **Competition Act**. The Plaintiff claims damages in excess of $87.0 million. The Corporation believes that it has strong defenses to the allegations and a motion to strike all claims against the defendants was heard on September 25, 2007. The court struck the lawsuit in its entirety and the Plaintiff has appealed the decision to the Saskatchewan Court of Appeal. Should the ultimate resolution of this action differ from management's assessments and assumptions, a material adjustment to the Corporation's financial position or results of operations could result.

i) The Corporation has issued letters of credit in the amount of $57.5 million.

j) On March 26, 2004, the Corporation entered into an Indemnity and Reimbursement Agreement (the indemnity) with Extendicare Inc., and the Directors and certain Officers of Crown Life. The Corporation indemnified Crown Life and the Directors and certain Officers of Crown Life for 65.2 per cent of the costs, expenses, penalties, interest and reasonable legal fees arising out of any claim, suit or demand in respect of having declared and paid $29.2 million in dividends from Crown Life to HARO. The indemnity was limited to the dividend plus 10.0 per cent of $32.1 million and terminates on April 1, 2010. During 2007, the amount of the indemnity was amended to a maximum of $5.0 million.

k) As at December 31, 2007, the Corporation has committed to spend $500.5 million on capital projects.

13. Commitments and Contingencies (continued)

l) The Corporation has committed to fund TransCanada Energy Inc. a forgivable loan up to $26.0 million. The funding is expected to occur through 2008, and is expected to provide numerous economic and environmental benefits including the supply of electrical power and reliable product streams to off-takers through the gasification of hydrocarbon feedstocks.

m) A legal action was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Power Corporation Superannuation Plan (PCSP; the defined benefit pension plan). The claim alleges the Corporation has inappropriately ceased making contributions to the PCSP; incorrectly offered employees early retirement with unreduced pensions; and did not provide sufficient information to allow employees to make an informed decision regarding the choice to either stay within the PCSP or move into the Public Employees Pension Plan.

Since 1996, various legal proceedings have taken place to properly define the claim. A pre-trial conference is now expected to take place in 2008. It is the Corporation's position that the final outcome from the claim is not determinable. As such, no provision has been set up to cover any potential settlement or adverse disposition.

n) The Corporation is the defendant to several unresolved statements of claim, and has provided these claims in its account in accordance with the advice received from legal counsel. The Corporation intends to account for any differences which may arise, between amount provided and amounts expended, in the period in which the claims are resolved.

14. Interest Expense

(thousands of dollars)	2007	2006
Interest on long-term debt	$ **264,638**	$ 269,210
Foreign exchange losses (gains)	**379**	(125)
Amortization of deferred financing costs	**795**	1,281
	265,812	270,366
Less:		
Interest capitalized	**(8,362)**	(13,292)
Long-term debt interest expense	**257,450**	257,074
Short-term debt interest expense	**6,648**	4,790
	$ **264,098**	$ 261,864

Interest paid during the year, on a cash basis, was $267.7 million (2006 - $277.9 million).

Notes to Consolidated Financial Statements

December 31, 2007

15. Saskatchewan Taxes and Resource Payments

(thousands of dollars)		2007		2006
Grants in lieu of taxes to municipalities	$	45,810	$	44,362
Saskatchewan capital tax		37,801		38,906
Insurance premium tax		13,367		12,775
Other		6,026		4,603
	$	103,004	$	100,646

16. Income Taxes

Income tax expense differs from the amount that would be computed by applying the Federal and Provincial statutory income tax rates to income before income taxes. The main reasons for the differences are as follows:

(thousands of dollars)		2007		2006
Net (loss) income before income taxes from taxable subsidiaries	$	(16,304)	$	19,100
Combined Federal and Provincial tax rate		34.49%		36.39%
Computed tax (recovery) expense based on the combined rate	$	(5,624)	$	6,951
Increase (decrease) resulting from:				
Earnings not subject to taxation		(71)		(56)
Adjustment to future tax assets for enacted changes in tax laws and rates		501		-
Valuation allowance		(1,896)		(4,030)
Other		54		(2,013)
Total income tax (recovery) expense	$	(7,036)	$	852
Income tax (recovery) expense consists of:				
Future income tax recovery	$	(8,036)	$	(866)
Current income tax expense		1,000		1,718
	$	(7,036)	$	852

Notes to Consolidated Financial Statements
December 31, 2007

16. Income Taxes (continued)

The tax effects of temporary differences that give rise to significant portions of the future tax asset and future tax liability:

(thousands of dollars)		2007		2006
Future tax asset:				
Non-capital loss carryforwards	$	1,993	$	5,687
Other		1,865		1,821
		3,858		7,508
Less: Valuation allowance		-		(1,896)
Future tax asset	$	3,858	$	5,612
Future tax liability:				
Property, plant and equipment - differences in net book value and undepreciated capital cost	$	2,028	$	10,411
Other		10,047		11,261
Future tax liability	$	12,075	$	21,672

The establishment of future income tax asset and future income tax liability are based on known facts and interpretation of circumstances that are influenced by a number of factors. As a result, the recorded amount of this asset and liability could change by a material amount in the near future.

17. Non-Recurring Items

Non-recurring items include the following:

(thousands of dollars)		2007		2006
Gain (loss) on:				
Big Sky (a)	$	(15,000)	$	-
Service agreement (b)		1,532		(1,588)
Saskatchewan Energy Share Plan (c)		-		20,530
	$	(13,468)	$	18,942

a) Due to the low commodity prices and high feed cost environment in the North American hog industry, and the uncertainty of the future of the Canadian hog industry, the Corporation recognized an impairment of goodwill and long-lived assets of its hog operations totaling $25.8 million at December 31, 2007. This results in a write-down of goodwill of $7.6 million, property, plant and equipment of $15.8 million and other assets of $2.4 million related to these operations. The net effect after income taxes and non-controlling interests is $15.0 million.

The fair value for calculating impairment was determined by reference to available market prices and future operating estimates. The calculation of fair value is particularly sensitive to these assumptions. Given the inherent imprecision and corresponding importance of the key assumptions used in the impairment tests, it is possible that changes in future conditions may lead the Corporation to use different key assumptions which could require a material change in net carrying amount of these assets.

17. Non-Recurring Items (continued)

b) During 1998, the Corporation issued an insurance policy to a vehicle rental company (the rental company). The policy provided bodily injury liability coverage on the rental company's vehicles being driven by its customers. The rental company paid the Corporation an annual premium under this policy between $100.0 thousand to $120.0 thousand. At the same time, the Corporation made an agreement that allowed the rental company to settle and pay all claims submitted by its customers. Because the insurance coverage was in the name of the Corporation, the rental company was required to report quarterly to the Corporation on the status of all reported claims and the provision for unpaid claims. As security to guarantee the provision for unpaid claims, a trust account was to be maintained in an amount that would meet the funding of the outstanding liabilities related to the policy.

The agreement with the rental company expired on March 31, 2005. Subsequent to the expiration of the contract, the rental company filed for voluntary receivership. During the receivership proceedings, it was determined that the rental company had not reported claims correctly to the Corporation, nor had it deposited the correct amounts in the trust account. The Corporation has since collected the balance held in the trust account of $1.2 million. Review of the outstanding claims during the year resulted in a reduction of $1.5 million to the provision for unpaid claims and has been included in operations in the current year (2006 - deficiency of $1.6 million).

The Corporation commenced legal action against certain parties to recover the shortfall.

c) On November 29, 2005, the Government of Saskatchewan established the Saskatchewan Energy Share Plan (SESP). The SESP was intended to reduce the cost of natural gas sold by the Corporation to its customers. The plan related to the period November 1, 2005 to March 31, 2006 and was designed to assist natural gas customers in dealing with high natural gas prices during that period.

Under the SESP natural gas prices were capped at $7.95 per gigajoule. During the 2007 fiscal year, the Corporation received $Nil million (2006 - $20.5 million) from the GRF to compensate the Corporation for the actual market cost of gas exceeding the capped $7.95 per gigajoule customer price.

18. Provision for Environmental Liabilities

The Corporation is committed to undertake necessary environmental clean-up activities on certain properties. Due to evolving environmental laws, enforcement and clean-up practices, it is not possible at this time to determine the full amount of these liabilities. The Corporation has accrued $23.3 million (2006 - $Nil) to carry out the clean-up activities and associated costs related to an indemnity provided by Prince Albert Pulp Company (PAPCO) and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 related to the Prince Albert pulp mill site owned by Domtar Inc. The Corporation is a successor corporation to PAPCO.

The Corporation has accrued for this year $0.8 million for a total of $14.2 million (2006 - $13.4 million) to carry out the clean-up activities related to an indemnity provided by PAPCO and Her Majesty in Right of the Province of Saskatchewan for environmental liabilities predating 1986 relating to the ERCO Chemical Plant.

Notes to Consolidated Financial Statements

December 31, 2007

19. Consolidated Statement of Cash Flows

(thousands of dollars)	2007	2006
Items Not Affecting Cash from Operations		
Amortization of property, plant and equipment	**$ 458,743**	$ 428,524
Future income tax recovery	**(8,036)**	(866)
Sinking fund earnings	**(12,574)**	(14,756)
Earnings from equity investments	**(28,210)**	(24,904)
Gains from discontinued operations	**(23,828)**	(23,691)
Gain on NewGrade	**(250,090)**	-
Other non-cash items	**36,327**	(100,665)
	$ 172,332	$ 263,642

20. Financial Risk Management

The Corporation is exposed to fluctuations in commodity prices including natural gas, electricity, hog sales and feed component purchases, foreign exchange rates and interest rates. The Corporation utilizes a number of financial instruments to manage these exposures. The Corporation mitigates the risk associated with these financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Fair values are approximate amounts at which financial instruments could be exchanged between willing parties based on current markets for instruments with similar characteristics, such as risk, principal and remaining maturities. Fair values are estimates using present value and other valuation techniques which are significantly affected by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates that reflect varying degrees of risk. Therefore, due to the use of judgment and future-oriented information, aggregate fair value amounts should not be interpreted as being realizable in an immediate settlement of the instruments.

(thousands of dollars)		2007 Asset (Liability)		2006 Asset (Liability)	
Financial Instruments	Classification*	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	HFT	**$ 848,238**	**$ 848,238**	$ 581,783	$ 581,783
Accounts receivable	LAR	**586,349**	**586,349**	605,033	605,033
Investments - fair value	HTM	**4,706**	**4,706**	4,391	4,296
Investments - sinking funds - fair value	HFT	**337,400**	**337,400**	290,304	295,935
Investments - fair value	HFT	**326,208**	**326,208**	90	90
Investments - cost	AFS	**32,388**	**(i)**	39,239	(i)
Investments - fair value	AFS	**513,836**	**513,836**	434,027	447,422
Investments - loans	LAR	**56,810**	**(i)**	17,422	(i)
Financial Liabilities					
Bank indebtedness	HFT	**$ 29,082**	**$ 29,082**	$ 62,265	$ 62,265
Accounts payable and accrued liabilities	OL	**606,677**	**606,677**	652,196	652,196
Notes payable	OL	**140,484**	**140,484**	118,506	118,506
Income taxes payable	OL	**8,092**	**8,092**	-	-
Dividend payable to the GRF	OL	**200,000**	**200,000**	167,000	167,000
Long-term debt	OL	**3,717,518**	**4,454,808**	3,665,057	4,494,059

20. Financial Risk Management (continued)

(thousands of dollars)		December 31, 2007		January 1, 2007	
Derivative Instruments	**Classification***	**Asset**	**(Liability)**	Asset	(Liability)
Physical natural gas contracts	HFT	$ **11,872**	$ **(15,298)**	$ 5,059	$ (6,734)
Natural gas price swaps	HFT	**21,053**	**(18,153)**	8,127	(12,702)
Natural gas price options	HFT	**3,651**	**(16,718)**	9,607	(15,607)
Physical electricity forwards	HFT	**91**	**(134)**	136	(128)
Electricity contracts for differences	HFT	**41**	**-**	119	-
Interest rate swap	HFT	**-**	**(54)**	-	(92)
Foreign exchange forward contracts	HFT	**-**	**(223)**	-	(287)
Commodity forward contracts	HFT	**1,728**	**-**	316	-

*Classification details are:
HFT - held-for-trading
LAR - loans and receivables
AFS - available-for-sale
OL - other liabilities

(i) The uncertainty and potentially broad range of fair values for Investments - cost and investments - loans renders the disclosure of a fair value with appropriate reliability impractical.

a) Commodity price risk management

The Corporation is exposed to gas price risk through gas purchased for its gas-fired power plants and through certain gas price-based power purchase agreements which have a cost component based on the price of natural gas. As at December 31, 2007, the Corporation had entered into natural gas contracts to manage its exposure to the price of natural gas. The fair value of natural gas derivative instruments held-for-trading is calculated daily and is based on quoted market prices.

The Corporation is exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions.

The Corporation is exposed to price risk on future hog sales and feed component purchases. The volatility is partially managed through forward pricing on the Chicago Mercantile Exchange (CME).

b) Financial assets and liabilities fair value

Where there is no active secondary market for many of the Corporation's bonds, debentures, loans and notes receivable ($56.8 million), equity investments ($248.6 million) and non-publicly traded common shares ($32.4 million), the uncertainty and potentially broad range of fair values renders the disclosure of a fair value with sufficient reliability impractical.

Investments

All investments are carried at fair value, except preferred shares and those investments noted above.

Share investments - The fair value of publicly traded share investments is based on their quoted market values, based on the latest bid prices.

Bonds, debentures, loans and notes receivable - The fair value of bonds, debentures, loans and notes receivable is determined based on quoted market values, based on the latest bid price.

20. Financial Risk Management (continued)

b) Financial assets and liabilities fair value (continued)

Sinking funds

The fair value of the investments held in the sinking fund is based on their December 31, 2007, quoted market values.

Long-term debt

The fair value of long-term debt is determined by the present value of future cash flows, discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

Interest rate swaps

The fair value of the interest rate swaps is based on quoted market rates at December 31, 2007.

c) Foreign currency risk management

Foreign exchange contracts are valued at quoted market rates, as at December 31, 2007.

d) Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk relates to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Credit risk relates to customer accounts receivable and unbilled revenue, money market investments, interest and dividends receivable, debentures, loans and other advances and counterparties to financial hedges and commodity transactions. Customer accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. In addition, the Corporation maintains credit policies and limits in respect to short-term investments and counterparties to financial and commodity transactions.

e) Interest rate risk

The Corporation may be exposed to interest rate risk on the maturity of its long-term debt. However, in the current low interest rate environment, these risks are considered low. As a result, the Corporation has no financial contracts in place, other than those listed, to offset interest rate risk as of December 31, 2007.

21. Leases

Future minimum lease payments for operating leases entered into by the Corporation, as lessee, are as follows:

(thousands of dollars)	
2008	$ 54,230
2009	39,948
2010	34,503
2011	15,956
2012	14,054
Thereafter	4,329
	$ 163,020

22. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

(millions of dollars)	2007	2006
Accounts receivable	$ **10.3**	$ 9.1
Accounts payable and accrued liabilities	**67.8**	20.4
Sales of products and services	**136.5**	117.8
Operating costs	**144.1**	134.6
Deferred income	**11.5**	1.7
Prepaid expenses	**7.1**	13.0

During 2007, the Corporation received $7.0 million (2006 - $20.5 million) in grants from the GRF. At December 31, 2007 the Corporation held $4.0 million (2006 - $4.8 million) in Government of Saskatchewan bonds. In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

In October 2007, the Corporation sold property to Saskatchewan Property Management for $2.2 million.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these consolidated financial statements and the notes thereto.

23. Joint Ventures

The Corporation has joint control over the operating, investing and financing policies of Cory Cogeneration Funding Corporation, Cory Cogeneration Joint Venture, Foragen Technologies Limited Partnership, Heritage Gas Limited, Apex Investment Limited Partnership, Kisbey Gas Gathering and Processing Facility and Saskatchewan Entrepreneurial Fund Joint Venture. The Corporation's pro-rata share of its interest in these joint ventures is as follows:

(thousands of dollars)	2007	2006
Current assets	$ **15,896**	$ 5,652
Long-term assets	**169,400**	155,315
Current liabilities	**19,190**	7,318
Long-term liabilities	**82,516**	87,437
Revenue	**30,103**	23,996
Expenses	**24,131**	21,216
Net earnings	**5,972**	2,780
Cash provided by operating activities	**5,475**	4,692
Cash used in financing activities	**1**	(4,230)
Cash used in investing activities	**(17,735)**	(10,352)

24. Employee Future Benefits

The Corporation has three defined benefit pension plans for certain of its employees that have been closed to new membership. Current service costs of this plan are charged to earnings on the basis of actuarial valuations.

The actuarial valuations include a provision for uncommitted and ad hoc benefit increases, and are measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimate, therefore, involves risks that the actual amount may differ materially from the estimate. The excess of the net actuarial gain (loss) over 10.0 per cent of the greater of the accrued benefit obligation and the fair value of the SaskPower and SGI plan assets are amortized over a period of time which is a blending of the expected average remaining service lifetime of the active members and the future life expectancy of the pensioners. For the SaskPower plan, the service life period was calculated at 3.22 years, while for the SGI plan, it was calculated at 3.00 years. For the SaskTel defined benefits plan, the excess of the net actuarial gain (loss) over 10.0 per cent of the greater of the accrued benefit obligation and the fair value of the SaskTel plan is amortized over the average remaining life of retired members of the SaskTel plan. At SaskTel, the remaining life of retired members was calculated as a weighted average of twenty-two years. SaskPower's last valuation was at September 30, 2007 and the results from the latest valuations for SaskTel and SGI are projected to December 31, 2007. The major assumptions used in the valuations are as follows:

Economic assumptions:		2007	
	SaskTel	**SGI**	**SaskPower**
Discount rate - end of period	**5.50%**	**5.50%**	**5.75%**
Expected return on plan assets	**6.75%**	**6.25%**	**6.75%**
Inflation rate	**2.50%**	**2.50%**	**2.50%**
Expected salary increase	**3.00%**	**3.50%**	**3.50%**
Post-retirement index	**100% of CPI**	**50% of CPI**	**70% of CPI**
Last actuarial valuation	**12/31/06**	**12/31/05**	**09/30/07**

Economic assumptions:		2006	
	SaskTel	SGI	SaskPower
Discount rate - end of period	5.15%	5.00%	5.25%
Expected return on plan assets	6.75%	6.25%	6.50%
Inflation rate	2.50%	2.50%	2.50%
Expected salary increase	3.00%	3.50%	3.50%
Post-retirement index	100% of CPI	50% of CPI	70% of CPI
Last actuarial valuation	12/31/03	12/31/05	09/30/06

24. Employee Future Benefits (continued)

Information about the Corporation's defined benefit plans is as follows:

(thousands of dollars)	2007			2007	2006
	SaskTel	**SGI**	**SaskPower**	**Combined**	Combined
Accrued benefit obligation					
Accrued benefit obligation, beginning of year	**$ 1,049,368**	**$ 14,035**	**$ 836,505**	**$ 1,899,908**	$ 1,812,463
Current service cost	**5,622**	**68**	**8,949**	**14,639**	17,265
Interest cost	**52,329**	**670**	**43,218**	**96,217**	92,875
Benefits paid	**(58,529)**	**(1,384)**	**(42,770)**	**(102,683)**	(107,569)
Impact of change in actuarial assumptions	**(40,242)**	**-**	**(18,961)**	**(59,203)**	28,168
Experience and other	**(24,988)**	**(588)**	**-**	**(25,576)**	13,307
Special termination benefit	**31,884**	**-**	**-**	**31,884**	43,399
Accrued benefit obligation, end of year	**$ 1,015,444**	**$ 12,801**	**$ 826,941**	**$ 1,855,186**	$ 1,899,908

(thousands of dollars)	2007			2007	2006
	SaskTel	**SGI**	**SaskPower**	**Combined**	Combined
Plan assets					
Fair value of plan assets, beginning of year	**$ 1,007,653**	**$ 14,198**	**$ 790,190**	**$ 1,812,041**	$ 1,694,245
Actual return on plan assets	**54,080**	**395**	**86,293**	**140,768**	179,714
Employee funding contributions	**1,186**	**17**	**1,738**	**2,941**	3,316
Employer funding contributions	**40,265**	**35**	**455**	**40,755**	43,190
Benefits paid	**(58,529)**	**(1,384)**	**(42,770)**	**(102,683)**	(108,424)
Fair value of plan assets, end of year	**$ 1,044,655**	**$ 13,261**	**$ 835,906**	**$ 1,893,822**	$ 1,812,041
Funded status - plan surplus (deficit)	**$ 29,211**	**$ 460**	**$ 8,965**	**$ 38,636**	$ (87,867)
Unamortized transitional asset	**(15,496)**	**(378)**	**-**	**(15,874)**	(32,210)
Unamortized past service cost	**4,595**	**-**	**28,167**	**32,762**	49,355
Unamortized net actuarial losses	**42,451**	**845**	**(9,124)**	**34,172**	154,086
Valuation allowance	**-**	**(299)**	**-**	**(299)**	-
Accrued pension asset	**$ 60,761**	**$ 628**	**$ 28,008**	**$ 89,397**	$ 83,364

24. Employee Future Benefits (continued)

The defined benefit plan pension expense (income) is as follows:

(thousands of dollars)	2007			2007	2006
	SaskTel	SGI	SaskPower	Combined	Combined
Current service cost - defined benefit plan	$ (4,436)	$ 51	$ 6,755	$ 2,370	$ 13,489
Interest cost	(52,328)	670	43,218	(8,440)	92,568
Expected return on pension plan assets	59,897	(846)	(50,044)	9,007	(108,722)
Special termination benefits cost	(31,884)	-	-	(31,884)	43,399
Amortization of net transitional asset	11,651	(189)	(4,472)	6,990	(16,712)
Amortization of past service costs	(3,808)	-	12,784	8,976	4,349
Amortization of actuarial (gains) losses	(5,166)	(63)	-	(5,229)	6,240
Other	-	299	-	299	2,133
Defined benefit plan pension (income) expense	$ (26,074)	$ (78)	$ 8,241	$ (17,911)	$ 36,744

The asset allocation of the defined benefit pension plans is as follows:

	2007		
	SaskTel	SGI	SaskPower
Asset category			
Short-term investments	11.4%	9.0%	0.6%
Bond and debentures	27.9%	52.0%	32.8%
Equity securities - Canadian	22.7%	15.0%	26.9%
Equity securities - US	13.1%	12.0%	10.6%
Equity securities - Non-North American	17.1%	12.0%	29.1%
Real estate	7.8%	-%	-%

Other benefit plans

Other benefit plans include a defined benefit and a defined contribution severance plan, a supplementary superannuation plan, two defined benefit service recognition plans, a defined benefit retiring allowance plan and a voluntary early retirement plan:

(thousands of dollars)	2007				2007	2006
	SaskTel	SGI	SaskPower	SaskEnergy	Combined	Combined
Accrued benefit liability	$ 17,830	$ 2,436	$ 42,923	$ 15,516	$ 78,705	$ 73,798
Net expense	1,282	942	13,360	2,631	18,215	15,435

24. Employee Future Benefits (continued)

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit obligations at September 30 for SaskPower and December 31 for SaskTel, SaskEnergy and SGI are:

	2007			
	SaskTel	**SGI**	**SaskPower**	**SaskEnergy**
Discount rate	**5.00%**	**5.25%**	**5.75%**	**5.00%**
Long-term rate of compensation increases	**3.00%**	**3.50%**	**3.50%**	**4.00%**
Remaining service life (years)	**14.0**	**12.0**	**9.7**	**9.0**

	2006			
	SaskTel	SGI	SaskPower	SaskEnergy
Discount rate	4.60%	4.70%	5.25%	4.50%
Long-term rate of compensation increases	3.00%	3.50%	3.50%	2.50%
Remaining service life (years)	14.1	10.0	10.4	11.4

Defined Contribution Pension Plans

The Corporation also has employees who are members of defined contribution pension plans. The Corporation's financial obligation is limited to contractual contributions to the plan. During the year, the Corporation paid $32.4 million (2006 - $28.5 million) into these plans.

25. Rate Regulation

The fact that the Corporation is subject to rate regulation does not result in the Corporation selecting accounting policies that would materially differ from generally accepted accounting principles.

Telecommunications

The Corporation's telecommunications and broadcast services are regulated by the CRTC. However, the CRTC only regulates rates for specific telecommunications services and only in locations where the Commissions believes that the level of competition in that service is not high enough that market forces can be relied on to protect the interests of customers, For these "non-forborne" services, the rate which the Corporation may charge must receive CRTC approval prior to being implemented and may not be set below the long run incremental costs of the service, calculated accordingly to CRTC costing rules.

The CRTC also regulated the rates for all services that are designed for use by competitors. The CRTC requires rates for many of these services to be based on long term run incremental costs plus approved mark-ups.

In addition, the CRTC has implemented a price cap framework which: limits the Corporation's flexibility in the pricing of some rate regulated retail services; subjects certain competitor service rates to potential annual decreases; and prohibits the Corporation from altering basic residential access rates in areas deemed to Low Cost Servicing Areas.

The CRTC has established a subsidy mechanism aimed at keeping basic residential access affordable in areas deemed by the CRTC to be High Cost Areas (HCSAs). In these areas the Corporation receives a subsidy from the National Contribution Fund equal to the difference between long run incremental costs in these areas and the rates charge to subscribers.

25. Rate Regulation

Telecommunications (continued)

Therefore the revenue received by the Corporation in these areas is effectively the rate charged to subscribers plus the subsidy per line. The cost component of the subsidy calculation amount is adjusted annually based on assumed productivity gains less inflation. The rate component is also adjusted annually as the CRTC has given the Corporation the ability to make annual rate increased equal to the rate of inflation in HCSAs, however, even if the Corporation does not raise rates in these areas, the increase is assumed to have been applied and the subsidy per line is decreased.

Approximately $298.9 million (2006 - $336.5 million) of the Corporation's operating revenues are currently subject to CRTC rate regulation.

Property and casualty insurance

Regulation of automobile insurance premium rates is based on claims and other costs of providing insurance coverage, as well as projected profit margins. The Corporation's automobile premiums are subject to rate regulation in Alberta, Ontario, Prince Edward Island, New Brunswick and Nova Scotia, which represent approximately $25.9 million (2006 - $23.3 million) of the Corporation's consolidated net premiums earned.

Gas marketing and natural gas commodity

The Corporation's operations in certain jurisdictions are subject to rate regulation by the National Energy Board, Manitoba Public Utilities Board and the Nova Scotia Utility and Review Board, which represents approximately $11.0 million (2006 - $9.1 million) of the Corporation's consolidated operating revenue.

26. Subsequent Event

On February 6, 2008 it was proclaimed by Order in Council 83/2008 that the **Saskatchewan Gaming Corporation Amendment Act, 2007** will come into force on April 1, 2008. The Act designates the Saskatchewan Gaming Corporation as a CIC Crown corporation and therefore the Saskatchewan Gaming Corporation will be consolidated into the financial statements of the Corporation.

27. Comparative Figures

Certain of the 2006 comparative figures have been reclassified to conform to current year's presentation.

CIC Non-Consolidated Management Discussion & Analysis

CIC's Corporate Performance Measurement

Performance Measurement using the Balanced Scorecard

CIC uses a widely accepted performance measurement system known as the Balanced Scorecard. This system is used to establish, communicate and report on key corporate performance targets in a standardized and concise format, very similar to that of a report card. The Balanced Scorecard enables CIC to facilitate strategic execution and accelerate continuous performance improvement while creating greater internal and external accountability and transparency. The Balanced Scorecard is therefore a means to articulate corporate strategy, motivate the organization to achieve desired targets and enable the executive and the shareholder to monitor results. CIC provides its Board with quarterly progress reports on CIC's performance relative to targets, in addition to the public annual reporting on past year results and future year forecasts.

The "Balance" of the Scorecard

The notion of "balance" refers to having a balance between financial and non-financial measurements that are critical to the overall success of the organization. The balance does not infer equivalency among all measures, but rather that they all address the organization's strategy and the contribution to long term performance. Measures may also compete for the allocation of resources within the organization.

CIC as a Crown Corporation and Internal Corporate Measures

CIC has developed a "Corporate Scorecard" or internal scorecard to reflect and measure CIC's role as a Crown corporation in fulfilling the Government's mandate and CIC's efficiencies of operation. The scorecard reflects CIC's strategies, measures and targets related to advancing policy, enhancing operational efficiencies, and ensuring greater accountability and transparency.

Corporate Scorecard Perspectives	Scorecard Performance Indicators
Public Purpose	● **Above target**
Accountability	● **Achieved target**
Internal Process	**Slightly off target**
People	● **Well below target**
	● **Not reported**

Public Purpose Perspective

This perspective highlights CIC's actions in support of Government's public policy objectives for the Crown sector. CIC plays a lead role in the incubation of programs for adoption into the Crown sector, or takes a centralized role in the development and administration of such programs on behalf of the shareholder.

2007 Key Priorities

- Continue to support CIC sponsored funds to meet Government objectives.
- Develop an environmental stewardship program, including the establishment of measures and targets.

Corporate Strategic Objectives	Performance Measure	2007 Target	2007 Result	Variance	2008 Target
1. Strategic investments to support economic development in Saskatchewan.	innovation: investment leverage ratio (external partner investment in relation to CIC investment)	2:1	3:1		2:1
2. Meet the Government's commitment to the lowest cost utility bundle.	aggregate cost of the residential utility services contained in the utility bundle	lowest in Canada	lowest	A	deleted for 2008
3. Support Government's environmental agenda.	percentage of CIC's electricity requirement purchased as "green" power	≥ 20%	21%		≥ 20%
	CIC's Environmental Stewardship Program: CO_2 offsets purchased	CIC to be carbon neutral for air and vehicle travel	2007 carbon credits to be purchased in 2008	B	to be carbon neutral for air and vehicle travel

Variance analysis

A The utility bundle, as defined in the previous Government's commitment, included residential telephone, electricity and gas home heating based on a typical Saskatchewan consumption level. Also included was vehicle insurance based on an index of the 34 most commonly registered vehicles in Saskatchewan matched with 34 driver profiles that the Consumers' Association of Canada used in its September 2003 review of automobile insurance rates.

B Carbon credits to offset CIC's air and vehicle travel will be purchased in 2008 once actual offset requirements have been calculated and verified.

Accountability Perspective

This perspective recognizes the commitment by CIC to report on the operations of CIC and its subsidiary Crowns and facilitate accountability and transparency. CIC continues to advance its reporting practices so the information it provides to the CIC Board, the Legislature, and the public is timely, accurate and understandable, and demonstrates the efficient and effective use of resources.

2007 Key Priorities

- Advance CIC's accountability agenda including CEO/CFO financial statement certification.
- Advance CIC's reporting and disclosure in terms of industry best practices.

2008 Key Priorities

- Update the corporate records management system consistent with legislative requirements.

Corporate Strategic Objectives	Performance Measure	2007 Target	2007 Result	Variance	2008 Target
1. Timely and effective reporting of corporate results.	meet requirements for financial and performance reporting	100% of public reports released on time	100%		100% of public reports released on time
2. Efficient use of corporate resources.	efficiency ratio	not to exceed 1%	0.89%	A	new measure to be developed
3. Advance CIC's reporting and disclosure against best practice standards.	Conference Board of Canada rating against peers	retain or improve on current "A" rating	"B+" rating	B	non survey year

Variance analysis

A Efficiency ratio is calculated as operating expense as a % of investment in share capital corporations (i.e. subsidiaries).

B The Conference Board of Canada review is conducted on a 2 year cycle.

Public Purpose Perspective

This perspective highlights CIC's actions in support of Government's public policy objectives for the Crown sector. CIC plays a lead role in the incubation of programs for adoption into the Crown sector, or takes a centralized role in the development and administration of such programs on behalf of the shareholder.

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A Efficiency ratio is calculated as operating expense as a % of investment in share capital corporations (i.e. subsidiaries).

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Internal Process Perspective

This perspective challenges CIC to develop and deploy tools that enable the corporation to operate in an efficient manner and achieve its goals. Beginning with the communications necessary to disseminate strategic corporate direction and priorities, this perspective also ensures that effective policies and procedures are in place to guide the corporation. Strategic deployment of information technology and its reliability is a key element of the internal process perspective.

2007 Key Priorities

- Create opportunities to communicate corporate information to staff and engage in dialogue.
- Internal collaboration and allocation of corporate resources to meet priorities.

2008 Key Priorities

- Timely and consistent internal communication on corporate and interdivisional issues.
- Continue to drive performance measurement at all levels, with linkages to compensation and personal performance evaluations.

Corporate Strategic Objectives	Performance Measure	2007 Target	2007 Result	Variance	2008 Target
1. Effective communication of corporate strategic priorities and resource allocation.	employee opinion survey	7.6 - 8.2	7.0	A	> 7.0
2. A professional, ethical and equitable corporate culture.	employee opinion survey	to be developed	baseline developed		> 6.6
3. Efficient, reliable and secure IT infrastructure and systems software.	% uptime of core network applications	≥ 98%	99.15%		≥ 98%
	% uptime of specialized applications	≥ 96%	98.96%		≥ 96%

Variance analysis

A New measure and target for 2007. There were no original baselines established. The target has been adjusted for 2008.

People Perspective

This perspective focuses on developing internal employee and organizational strengths including creativity, application of skills, acquisition of specific expertise, continuous personal improvement, and decision-making capabilities. It also includes the development of cultural awareness, the goal of having a workforce that is representative of Saskatchewan demographics, and the encouragement of employees to participate in their communities through volunteerism.

2007 Key Priorities

- Advance strategic human resource programs including: new HR management software, refreshed Human Resource Strategic Plan, Awards & Recognition Program, and enhanced Employee Family Assistance Program and wellness programming.

2008 Key Priorities

- Develop and implement action plan based on the results of the 2007 employee opinion survey.
- Conduct a comparative review of CIC's group benefits to those offered in the other CIC Crowns.

Corporate Strategic Objectives	Performance Measure	2007 Target	2007 Result	Variance	2008 Target
1. Promote employee and corporate success.	employee satisfaction	> 80%	79%		> 80%
	training $ as a percentage of payroll	up to 3%	2.22%		up to 3%
	Wellness Program: average number of casual sick days per year	<4 days	4.22 days	A	< 4 days
2. Ensure corporate workforce renewal and sustainability.	ratio of hires in diversity groups	1:3	1:2.33		1:3
	retention of diversity workforce	> 80%	92.6%		> 80%
	opportunities for youth: ▪ Co-op Program ▪ Gradworks Program	 3 students > 6 interns	 4 students 3 interns	 B	 3 students 5 interns
	representative workforce: ▪ women in management ▪ women in senior management ▪ women in under represented positions ▪ Aboriginal ▪ persons with disabilities ▪ visible minorities	 46.5% new for 2008 new for 2008 12.9% 8.9% 4.1%	 54% new for 2008 new for 2008 11.8% 7.4% 5.9%	 C D 	 ≥ 47% 20% 20% 12.63% 8.16% ≥ 5.6%
	youth employment	8.4%	10.3%		10.3%
3. CIC and its employees actively support the community.	corporate sponsorship	up to 2% of budget	0.70%		up to 2% of budget

Variance analysis

A CIC's target of less than 4 days is significantly lower than the provincial average of 8.2 days for 2007. Comparative data for the provincial average was provided by SaskTrends Monitor based on Statistics Canada's Labour Force Survey.

B Fewer interns than anticipated were hired due to a shift toward student and term hiring, based on priorities and workload requirements.

C Staff turnover in diversity groups and low hiring volume resulted in missed targets.

D Staff turnover in diversity groups and low hiring volume resulted in missed targets.

Internal Process Perspective

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	% uptime of specialized applications	≥ 96%	98.96%		≥ 96%

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	training $ as a percentage of payroll	up to 3%	2.22%		up to 3%
	Wellness Program: average number of casual sick days per year	<4 days	4.22 days	A	< 4 days
2. Ensure corporate workforce renewal and sustainability.	ratio of hires in diversity groups	1:3	1:2.33		1:3
	retention of diversity workforce	> 80%	92.6%		> 80%
	opportunities for youth:				
	▫ Co-op Program	3 students	4 students		3 students
	▫ Gradworks Program	> 6 interns	3 interns	B	5 interns
	representative workforce:				
	▫ women in management	46.5%	54%		≥ 47%
	▫ women in senior management	new for 2008	new for 2008		20%
	▫ women in under represented positions	new for 2008	new for 2008		20%
	▫ Aboriginal	12.9%	11.8%	C	12.63%
	▫ persons with disabilities	8.9%	7.4%	D	8.16%
	▫ visible minorities	4.1%	5.9%		≥ 5.6%
	youth employment	8.4%	10.3%		10.3%
3. CIC and its employees actively support the community.	corporate sponsorship	up to 2% of budget	0.70%		up to 2% of budget

Variance analysis

A CIC's target of less than 4 days is significantly lower than the provincial average of 8.2 days for 2007. Comparative data for the provincial average was provided by SaskTrends Monitor based on Statistics Canada's Labour Force Survey.

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D Staff turnover in diversity groups and low hiring volume resulted in missed targets.

CIC Non-Consolidated: Analysis of Financial Results

CIC's non-consolidated financial statements are used by CIC to determine dividend capacity to the Province's GRF. These non-consolidated financial statements isolate the corporation's cash-flow, capital support for certain subsidiary Crown corporations and public policy expenditures. Inclusion of these financial statements in the Annual Report of CIC enhances public transparency and accountability of CIC's operations.

This narrative on CIC's non-consolidated 2007 financial results should be read in conjunction with the audited non-consolidated financial statements. For the purposes of this narrative on CIC's non-consolidated financial results,"CIC" refers to the holding company.

Comparison of 2007 results with 2006 Results

Earnings

The following table presents five year comparison of CIC's financial results:

(millions of dollars)	2007	2006	2005	2004	2003
Dividend revenue from Crown corporations	**$ 221.1**	$ 237.7	$ 194.9	$ 287.2	$ 285.5
Add: Revenue from investments[1]	**399.9**	112.1	109.5	63.6	11.7
Less: Operating and other expenses	**(15.2)**	(13.3)	(12.0)	(9.0)	(18.3)
Public policy expenditure	**(5.8)**	(4.1)	-	(52.0)	-
Grants to subsidiaries	**(23.1)**	(10.1)	(44.3)	(14.8)	(4.6)
Total Non-Consolidated Earnings	**$ 576.9**	$ 322.3	$ 248.1	$ 275.0	$ 274.3

[1] Investments include NewGrade Energy Inc. (sold in 2007).

Earnings for 2007 were $576.9 million (2006 - $322.3 million), an increase of $254.6 million from 2006 results. Improved earnings for 2007 are primarily due to the sale of CIC's 50 per cent interest in New Grade Energy Inc. (NewGrade) which generated a gain on sale of $383.1 million.

This increase in earnings was offset by the following:

- A decrease in dividend revenue from CIC's subsidiary Crown corporations of $16.6 million;
- A decrease in revenues from investments of $95.3 million as CIC received no dividends from NewGrade in 2007 (2006 - $105.0 million);
- An increase in grants to subsidiaries of $13.0 million;
- An increase in operating costs of $1.9 million;
- An increase in grants to SaskEnergy of $1.7 million to fund the EnerGuide for Houses Grant Program.

Dividend Revenue

CIC's revenue is the sum of dividends from subsidiary Crown corporations and CIC's interest in NewGrade (sold in 2007). This revenue source is the primary determinant in CIC's ability to pay regular dividends to the GRF.

The two largest determinants of CIC's dividend revenue are commodity prices and weather. Commodity prices influence the results of assets owned by Investment Saskatchewan, specifically the fertilizer, hog and lumber markets. Weather is a significant determinant as follows:

- Demand for electricity and natural gas increase during cold weather spells, impacting earnings at SaskPower and SaskEnergy.
- Accident and other insurance claims at SGI are impacted by winter driving conditions and the summer storm season.
- Water run-off levels impact SaskPower's capacity to generate hydro electricity at a much lower cost source compared to fuel and coal generation.

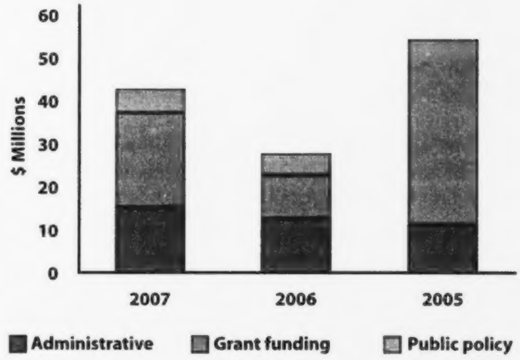
Dividend revenue in 2007 decreased $121.6 million to $221.1 million. The following chart shows a five year history on revenue by contribution source:

(millions of dollars)	2007	2006	2005	2004	2003
Dividend revenue					
SaskPower	**$ 97.0**	$ 60.2	$ 84.8	$ 59.8	$ 168.5
SaskTel	**30.0**	50.0	57.9	88.0	76.6
SaskEnergy	**53.0**	34.5	29.3	70.0	26.7
SGI	**22.8**	33.9	22.9	27.1	13.8
Investment Saskatchewan	**10.3**	59.1	-	42.3	-
ISC	**8.0**	-	-	-	-
New Grade	**-**	105.0	105.0	60.4	7.6
Total Corporate Revenue	**$ 221.1**	$ 342.7	$ 299.9	$ 347.6	$ 293.2

- SaskPower's dividend in 2007 of $97.0 million increased $36.8 million from $60.2 million in 2006. This increase is primarily due to higher sales volumes and a 4.3 per cent system-wide average rate increase implemented on February 1, 2007.
- SaskTel's dividend of $30.0 million decreased by $20.0 million from its 2006 dividend of $50.0 million. In 2007 SaskTel retained a higher level of income to offset cost of their capital expenditure programs.
- SaskEnergy's 2007 dividend of $53.0 million increased $18.5 million from $34.5 million in 2006 due to a gain on commodity sales resulting from positive impacts on commodity price changes.
- SGI's 2007 dividend decreased $11.1 million to $22.8 million compared to $33.9 million in 2006. The decrease was due mainly to higher weather related losses from Saskatchewan as compared to 2006.
- Investment Saskatchewan's dividend of $10.3 million decreased by $48.8 million from its 2006 dividend of $59.1 million, due mainly to earnings in 2006 from discontinued operations and the write-down of the Investment Saskatchewan's investment in Big Sky Farms Inc. of $15.0 million.
- ISC had achieved a retained earnings position in 2007 enabling it to pay an $8.0 million dividend to CIC.
- NewGrade Energy Inc. was sold on November 1, 2007. CIC did not receive a dividend for 2007 (2006 - $105.0 million).

Expenses

CIC's expenses are divided into three main categories: administrative, grants to subsidiary Crown corporations, and public policy expenditure. The adjacent chart shows CIC's expenses by expense category. Total expenses in 2007 of $44.1 million were $16.6 million higher than the 2006 total of $27.5 million.



Administrative Expenses

Administrative expenses increased by $1.9 million during 2007 to $15.2 million. This increase is primarily due to an increase in expenses for general operations and increased program funding.

Grants to Subsidiary Crown Corporations

CIC grant funding to STC of $20.5 million increased from funding of $8.2 million in 2006. Funding for 2007 was comprised of $5.0 million for operations funding, $1.9 million for capital requirements, and $13.6 million for construction of its new bus terminal in Regina. STC began construction of its new facility in 2005 and has received $18.9 million in funding for the project. Operational funding increased by $1.0 million (2006 - $4.0 million) and capital funding of $1.9 million increased by $0.4 million (2006 - $1.5 million).

Gradworks Inc. received $2.5 million in grants in 2007 (2006 - $1.7 million) to fund its internship program.

Public Policy Expenditures

In November 2005, the Saskatchewan Government announced the second part of the Saskatchewan Energy Share Program, which was designed to encourage people to reduce energy consumption and become more energy efficient. In 2007 CIC continued its responsibility for funding two components of this program; the EnerGuide for Houses audit, and grants to homeowners for energy conserving retrofits on their homes. The total funding for this program in 2007 was $5.8 million (2006 - $4.1 million).

Operating, Investing and Financing Activities

(millions of dollars)		2007		2006
Cash Flow Highlights				
Cash from Operations	**$**	**233.1**	$	246.7
Cash provided by (used in) Investing Activities		**181.5**		(4.9)
Cash used in Financing Activities		**(167.0)**		(221.0)
Increase in Cash	**$**	**247.6**	$	20.8

Cash from operations in 2007 of $233.1 million decreased from 2006 by $13.6 million. The decrease was mainly due to lower dividend revenue offset by a decrease in dividends receivable as at December 31, 2007, reflecting the timing of dividend payments from Crown corporations. Dividends are paid by Crown corporations to CIC on a quarterly basis, with a one quarter lag between the dividend declaration and the dividend payment.

Operating, Investing and Financing Activities (continued)

Cash provided by investing activities in 2007 of $181.5 million increased from 2006 by $186.4 million. During 2007, CIC sold its interest in NewGrade for net proceeds of $383.1 million and retracted $110.7 million in share equity from Investment Saskatchewan. As part of these investing activities CIC placed $306.5 million in short-term investments that have maturity dates between April 1, 2008 and June 30, 2008.

CIC continued to invest in its venture capital funds that focus on investing in Saskatchewan. During the year CIC invested $0.6 million in CIC Economic Holdco Ltd. and $5.3 million in CIC Apex Equity Holdco Ltd.

Cash used in financing activities is comprised entirely of CIC's dividend payments to the GRF. In 2006, CIC declared a dividend to the GRF of $167.0 million, paid in March 2007.

Public Policy Initiatives

CIC Economic Holdco Ltd. (Saskatchewan Entrepreneurial Fund Joint Venture)

CIC Economic Holdco Ltd. was established in November 2005 to hold a joint venture interest in Saskatchewan Entrepreneurial Fund Joint Venture (The Fund). The Fund operates as an institutional investment fund focusing on investment in the Province of Saskatchewan and the creation of employment and economic growth and expansion of the small business sector. CIC has committed to invest up to $25.0 million until 2009. To date, CIC has invested $1.1 million in the Fund.

First Nations and Métis Fund Inc.

First Nations and Métis Fund Inc. was established in May 2006 to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan. CIC has committed to invest up to $20.0 million until 2009. To date, CIC has invested $4.1 million in the fund.

CIC Apex Equity Holdco Ltd. (Apex Investment Limited Partnership)

CIC Apex Holdco Ltd. was established in February 2007 to hold a joint venture interest in Apex Investment Limited Partnership (The Fund). Together with its partners Conexus Credit Union 2006, Cornerstone Credit Union, Innovation Credit Union and PFM Capital Inc. the Fund focuses on debt and equity investments in the Province of Saskatchewan's small and medium sized business sector. CIC is committed to invest up to $60.0 million in the Fund. To date CIC has fulfilled $5.3 million of its commitment.

Gradworks Inc.

The Gradworks internship program was formally launched in February 2005 after operating on a trial basis in 2004. Gradworks provides recent post-secondary graduates with internships in CIC Crown corporations, providing the graduates job opportunities and valuable work experience that may lead to permanent jobs in the Crowns, or with other employers. In 2007, CIC provided grant funding of $2.5 million (2006 - $1.7 million).

Public Policy Initiatives (continued)

EnerGuide for Houses Program

In November 2005, the Saskatchewan Government announced the second part of the Saskatchewan Energy Share Program, which was designed to encourage people to reduce energy consumption and become more energy efficient. CIC is responsible for funding two components of this program; the EnerGuide for Houses audit and the grants to homeowners for energy conserving retrofits on their homes. In 2007, CIC provided $5.8 million in funding (2006 - $4.1 million).

Utility Bundle

In early 2008, the new Government discontinued the public policy of providing the lowest cost utility bundle.

Comparison of 2007 Results with Budget

(millions of dollars)	2007 Earnings Budget	2007 Earnings Actual	Dividend (% of earnings)
Dividends to CIC			
SaskPower	$ 87.6	$ 97.0	70%
SaskTel	30.0	30.0	36%
SaskEnergy	52.0	53.0	60%
SGI	24.6	22.8	65%
Investment Saskatchewan	27.8	10.3	90%
Information Services Corporation	2.0	8.0	35%
NewGrade	73.7	-	-
Total Dividend Revenue	**297.7**	**221.1**	
Grant Funding	(29.9)	(23.1)	
Public Policy Expenditure	(52.5)	(5.8)	
Gain on Sale of NewGrade	-	383.1	
Other Income & Expenses	(32.7)	1.6	
Non-Consolidated Earnings	**182.6**	**576.9**	
Dividend to the GRF	**$ 200.0**	**$ 200.0**	

Earnings

The preceding table shows CIC's non-consolidated earnings for 2007. Non-consolidated earnings for 2007 of $576.9 million compared favorably to the budgeted amount of $182.6 million. The earnings exceeded budget primarily due to CIC's gain on sale of NewGrade combined with savings on utility bundle rebate costs.

Dividend Revenue

Dividend revenue is directly proportionate to Crown earnings. The following outlines variances in dividends from Crown corporations and NewGrade:

- SaskPower dividends were above budget due to an increase in all revenue categories offset by higher operating expenses and fuel purchased power costs.

Dividend Revenue (continued)

- SaskTel dividends were at budget. During 2007 SaskTel budgeted for increased capital spending on increased expenses to support revenue growth in wireless and entertainment services.
- SaskEnergy dividends were above budget due to higher than expected earnings due to a gain on commodity sales resulting from the positive impacts of commodity price changes.
- SGI dividends were lower than budget, primarily due to higher than expected summer storm activity in Saskatchewan.
- Investment Saskatchewan's dividends were lower than budget due to the write-down of its investment in Big Sky Farms Inc. combined with a reduction in planned dividends from 100 per cent of net earnings to 90 per cent.
- Information Services Corporation dividends were above budget primarily due to a strong Saskatchewan economy, which led to a higher level of land transactions.
- NewGrade was sold in 2007 and did not pay a dividend.

Grant Funding

CIC's grant funding to subsidiary Crown corporations was below budget by $6.8 million. This is primarily related to timing of capital grants related to STC's new head office and bus terminal in Regina.

Public Policy Expenditures

In early 2008, the new Government discontinued the public policy of providing the lowest cost utility bundle. During the year CIC provided $5.8 million to SaskEnergy as part of the Saskatchewan Energy Share Program.

Key Factors Affecting Financial Performance

Earnings of Crown Corporations

- The key factor affecting CIC's earnings are the level of dividends from commercial subsidiary Crown corporations.
- Factors affecting the level of dividends from subsidiary Crowns include the level of profits and the application of CIC's Subsidiary Dividend Policy. The CIC Board determines dividends from a subsidiary after allocating cash for reinvestment into the Crown and also for debt reduction, if necessary. CIC expects aggregate dividends declared by its commercial subsidiaries in 2008 to be similar to 2007.

Investment Values

- CIC regularly assesses the appropriateness of the carrying value for its investments, and writes down an investment if it judges there to be a permanent impairment in carrying value.

Looking Ahead to 2008

CIC's key financial initiatives for 2008 include:

- Enhance accountability and transparency through implementation of a CEO/CFO Certification Policy consistent with approaches used in publicly accountable corporations.
- Continue to monitor new developments in financial reporting and governance, ensuring that CIC is a leader in its reporting and accountability practices.
- Continue to provide a return to the shareholder.
- Contribute to important public policy initiatives by:
  - Funding youth initiatives such as Gradworks and the CIC Aboriginal Bursary Program; and
  - Providing capital to fund specified economic initiatives.

(millions of dollars)	Earnings	Dividend	Dividend (% of earnings)
Crown Corporation 2008 Budget			
SaskPower	$ 131.0	$ 65.5	50%
SaskTel	75.8	49.3	65%
SaskEnergy	64.4	51.5	80%
SGI	38.6	25.1	65%
Investment Saskatchewan	46.2	14.0	30%
ISC	14.0	12.8	90%
SaskWater	(0.4)	-	-
STC	(9.9)	-	-
SOCO	3.2	-	-
Saskatchewan Gaming Corporation	17.6	14.1	80%
CIC (non-consolidated), Other, Adjustments	(8.6)	-	-
Consolidated Earnings	371.9		
Dividend to the GRF	$ 550.0	$	

Non-Consolidated Financial Statements

Responsibility for Financial Statements

The accompanying Non-Consolidated Financial Statements have been prepared by management of Crown Investments Corporation of Saskatchewan to illustrate the financial position and results of operations of the corporate entity only. They have been prepared, on a non-consolidated basis, in accordance with the basis of accounting described in Note 1 to the financial statements, consistently applied, using management's best estimates and judgments where appropriate. Management is responsible for the reliability and integrity of the Non-Consolidated Financial Statements, the notes to the Non-Consolidated Financial Statements and other information contained in this Annual Report.

The Corporation's Board of Directors is responsible for overseeing the business affairs of the Corporation and also has the responsibility for approving the financial statements. The Board of Directors is responsible for reviewing the annual financial statements and meeting with management, KPMG LLP and the Provincial Auditor for Saskatchewan on matters relating to the financial process.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal controls provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly guarded against unauthorized use and that reliable records are maintained. The Provincial Auditor for Saskatchewan has reported to the Legislative Assembly that these controls are adequately functioning.

KPMG LLP has audited the Non-Consolidated Financial Statements. Their report to the Members of the Legislative Assembly, stating the scope of their examination and opinion on the Non-Consolidated Financial Statements, appears opposite.

Ron Styles
President & CEO

Blair Swystun, CFA
Vice-President & CFO

March 31, 2008

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the non-consolidated statement of financial position of **Crown Investments Corporation of Saskatchewan** as at December 31, 2007 and the non-consolidated statements of operations and comprehensive income, retained earnings and cash flows for the year then ended. These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan. These non-consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these non-consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

These non-consolidated financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles, are intended for the purpose of tabling with the Legislative Assembly of Saskatchewan.

KPMG LLP

Chartered Accountants
Regina, Saskatchewan

March 31, 2008

Non-Consolidated Statement of Financial Position

As at December 31 (thousands of dollars)	2007	2006
ASSETS		
Cash and cash equivalents (Note 4)	$ **558,030**	$ 310,472
Short-term investments (Note 5)	**306,460**	-
Interest and accounts receivable	**3,285**	299
Dividends receivable	**67,721**	111,230
Equity advances to Crown corporations (Note 6)	**1,075,382**	1,075,382
Investments in share capital corporations (Note 7)	**277,297**	382,119
Equipment (Note 8)	**336**	513
	$ **2,288,511**	$ 1,880,015
LIABILITIES AND PROVINCE'S EQUITY		
Accounts payable	$ **1,187**	$ 2,598
Dividend payable to General Revenue Fund	**200,000**	167,000
	201,187	169,598
Province of Saskatchewan's Equity		
Equity advances (Note 9)	**1,181,152**	1,181,152
Retained earnings	**906,172**	529,265
	2,087,324	1,710,417
	$ **2,288,511**	$ 1,880,015

Commitments and Contingencies (Note 10)

(See accompanying notes)

On behalf of the Board:

Director

Director

Non-Consolidated Statement of Operations and Comprehensive Income

For the Year Ended December 31 (thousands of dollars)	2007	2006
REVENUE		
Dividend (Note 11)	$ **221,129**	$ 342,731
Interest	**16,743**	6,955
Other	**50**	158
	237,922	349,844
EXPENSES		
General, administrative and other	**14,975**	13,172
Amortization	**227**	191
	15,202	13,363
Earnings before the following	**222,720**	336,481
Gain on sale of NewGrade Energy Inc. (Note 7(b))	**383,133**	-
Grant to Saskatchewan Transportation Company	**(20,550)**	(8,250)
Grant to Gradworks Inc.	**(2,460)**	(1,742)
Grant to Saskatchewan Water Corporation	**(125)**	(57)
Grant to Saskatchewan Government Insurance	**-**	(49)
Public policy expenditure (Note 12)	**(5,811)**	(4,075)
NET EARNINGS	**576,907**	322,308
OTHER COMPREHENSIVE INCOME	**-**	-
COMPREHENSIVE INCOME	$ **576,907**	$ 322,308

(See accompanying notes)

Non-Consolidated Statement of Retained Earnings

For the Year Ended December 31 (thousands of dollars)	2007	2006
RETAINED EARNINGS, BEGINNING OF YEAR	$ **529,265**	$ 373,957
NET EARNINGS	**576,907**	322,308
DIVIDEND TO GENERAL REVENUE FUND	**(200,000)**	(167,000)
RETAINED EARNINGS, END OF YEAR	$ **906,172**	$ 529,265

(See accompanying notes)

Non-Consolidated Statement of Cash Flows

As at December 31 (thousands of dollars)	2007	2006
OPERATING ACTIVITIES		
Net earnings	**$ 576,907**	$ 322,308
Add (deduct) non-cash items:		
Gain on sale of NewGrade Energy Inc.	**(383,133)**	-
Amortization	**227**	191
	194,001	322,499
Net change in non-cash working capital balances related to operations (Note 13)	**39,112**	(75,822)
Cash provided by operating activities	**233,113**	246,677
INVESTING ACTIVITIES		
Proceeds from retraction of Investment Saskatchewan Inc. shares	**110,677**	-
Increase in short-term investments	**(306,460)**	-
Proceeds from the sale of NewGrade Energy Inc.	**383,133**	-
Purchase of investments	**(5,855)**	(4,650)
Purchase of equipment	**(50)**	(200)
Cash provided by (used in) investing activities	**181,445**	(4,850)
FINANCING ACTIVITIES		
Dividend paid	**(167,000)**	(221,000)
Cash used in financing activities	**(167,000)**	(221,000)
NET INCREASE IN CASH DURING YEAR	**247,558**	20,827
CASH POSITION, BEGINNING OF YEAR	**310,472**	289,645
CASH POSITION, END OF YEAR	**$ 558,030**	$ 310,472

(See accompanying notes)

Notes to Non-Consolidated Financial Statements

December 31, 2007

1. **Summary of Significant Accounting Policies**

The non-consolidated financial statements of Crown Investments Corporation of Saskatchewan (CIC) have been prepared in accordance with Canadian generally accepted accounting principles except as noted in a), b) and c) below. The preparation of periodic financial statements involves the use of estimates since the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality using the accounting policies summarized below:

a) Basis of presentation

These non-consolidated financial statements have been prepared at the request of the Legislative Assembly of Saskatchewan in accordance with the significant accounting policies described below. The basis of accounting used to prepare these non-consolidated financial statements materially differs from Canadian generally accepted accounting principles because CIC's subsidiaries are accounted for using the cost method. CIC has also prepared and tabled consolidated financial statements for the same period in accordance with Canadian generally accepted accounting principles.

b) Equity advances to Crown corporations

With the exception of Investment Saskatchewan Inc., Crown corporations do not have share capital. However, eight Crown corporations have received equity advances from CIC to form their equity capitalization. The equity advances are initially recorded at cost, but where there has been a decline in the value of the investment that is not considered temporary, the investment is written down to its estimated realizable value. Dividends from these corporations are recognized as income when declared.

c) Investments in share capital corporations

Investments in shares of corporations are accounted for using the cost method regardless of whether or not joint control exists, or if there is a parent-subsidiary relationship. When there has been a decline in the value of a joint venture or a share capital Crown subsidiary corporation that is not considered temporary, the investment is written down to its estimated net realizable value. Dividends from these share investments are recognized as income when declared.

d) Equipment

Equipment is recorded at cost. When these assets are disposed of or retired, the related costs and accumulated amortization are eliminated from the accounts. Any resulting gains or losses are reflected in the statement of operations.

Equipment is amortized using the following methods:

Computer equipment	- 3 years straight-line
Furniture and equipment	- 20% declining balance
Computer software	- 3 years straight-line
Leasehold improvements	- over life of lease

Effective January 1, 2007, CIC changed its accounting policy for amortization of computer equipment from 30 per cent declining balance method to 3 year straight-line method. The change in policy better reflects CIC's replacement strategy for information technology and provides more relevant and reliable information to the users of these financial statements. Prior period financial statements have not been restated to reflect this change in policy because the effects of the change are insignificant. The cumulative effect in the current period of this change in accounting policy does not have a material effect on the financial statements.

Notes to Non-Consolidated Financial Statements

December 31, 2007

1. **Summary of Significant Accounting Policies (continued)**

   e) **Cash position**

   Cash position includes the cash held within CIC's bank accounts and investments which mature on or before March 31, 2008.

2. **Status of Crown Investments Corporation of Saskatchewan**

The Government Finance Office was established by Order in Council 535/47 dated April 2, 1947, and was continued under the provision of **The Crown Corporations Act, 1993** (the Act), as Crown Investments Corporation of Saskatchewan. CIC is an agent of Her Majesty in Right of the Province of Saskatchewan and as a Provincial Crown corporation is not subject to Federal and Provincial income taxes.

The Act assigns specific financial and other responsibilities to CIC regarding Crown corporations designated or created as subsidiary Crown corporations of CIC under the Act. The following corporations have been designated or created by Order in Council:

Information Services Corporation of Saskatchewan
Investment Saskatchewan Inc.
SaskEnergy Incorporated
Saskatchewan Development Fund Corporation
Saskatchewan Government Growth Fund Management Corporation
Saskatchewan Government Insurance
Saskatchewan Opportunities Corporation
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Telecommunications
Saskatchewan Transportation Company
Saskatchewan Water Corporation

In addition to the above Crown corporations, CIC is the sole member of Gradworks Inc., a non-profit corporation and a sole shareholder of First Nations and Métis Fund Inc. (FNMF), CIC Economic Holdco Ltd., and CIC Apex Equity Holdco Ltd. which are wholly-owned share capital subsidiaries.

3. **Change in Accounting Policy**

Effective January 1, 2007, CIC adopted the accounting recommendations for accounting changes (CICA Handbook Section 1506) in accordance with the transitional provisions of the section. The new standard allows for voluntary changes in accounting policy only if they result in the non-consolidated financial statements providing reliable and more relevant information. New disclosures are required in respect of changes in accounting policies, changes in accounting estimates and correction of errors. During the year CIC changed its amortization policy for computer equipment (Note 1(d)).

Effective January 1, 2007, CIC adopted the following new accounting standards relating to financial instruments, as issued by the Canadian Institute of Chartered Accountants:

  Section 3855 – Financial Instruments Recognition and Measurement,
  Section 3861 – Financial Instruments Disclosure and Presentation,
  Section 1530 – Comprehensive Income, and
  Section 3251 – Equity.

The implementation of these standards had no impact on the non-consolidated financial statements of CIC.

3. Change in Accounting Policy (Continued)

a) Financial instruments

Section 3855, Financial Instruments - Recognition and Measurement, and Section 3861, Financial Instruments - Disclosure and Presentation, provide guidance for the recognition, measurement, presentation and disclosure of financial assets, financial liabilities, non-financial derivatives, as well as gains and losses. These standards require financial assets, liabilities and derivatives to initially be recognized at fair value.

CIC has made the following classifications:

- Cash and cash equivalents and short-term investments are classified as financial assets held-for-trading and are measured at fair value.
- Accounts receivable and dividends receivable are classified as loans and receivables and are recorded at amortized cost using the effective interest rate method.
- Accounts payable and dividend payable to the General Revenue Fund are classified as other liabilities and measured at amortized cost using the effective interest rate method.

b) Comprehensive Income

Section 1530, Comprehensive Income, provides guidance for the reporting and display of comprehensive income. CIC does not have any items that required separate recognition outside of net income. As a result, the adoption of this section did not have an impact on CIC's non-consolidated financial statements.

c) Equity

Section 3251, Equity establishes standards for the presentation of equity and changes in equity. The adoption of this section did not have an impact on CIC's non-consolidated financial statements.

d) Embedded derivatives

The Corporation selected January 1, 2003 as the transition date for embedded derivatives, as such only contracts or financial instruments entered into or modified after the transition date were examined for embedded derivatives. For the period January 1, 2003 to December 31, 2007, CIC had no contracts with embedded derivatives.

4. Cash and Cash Equivalents

Included in cash and cash equivalents are $558.0 million (2006 - $310.4 million) of investments maturing on or before March 31, 2008 with an effective interest rate of 4.16 per cent (2006 - 4.26 per cent).

5. Short-Term Investments

Included in short-term investments are $306.5 million (2006 - $Nil) of investments maturing on or before June 30, 2008 with an effective interest rate of 4.03 per cent (2006 - Nil per cent).

6. Equity Advances to Crown Corporations

Equity advances to Crown corporations are as follows (thousands of dollars):	2007	2006
Saskatchewan Power Corporation	**$ 660,000**	$ 660,000
Saskatchewan Telecommunications Holding Corporation	**250,000**	250,000
SaskEnergy Incorporated	**71,531**	71,531
Saskatchewan Government Insurance	**80,000**	80,000
Information Services Corporation of Saskatchewan	**12,000**	12,000
Saskatchewan Development Fund Corporation	**1,150**	1,150
Saskatchewan Water Corporation	**700**	700
Saskatchewan Government Growth Fund Management Corporation	**1**	1
	$ 1,075,382	$ 1,075,382

Crown corporations are not publicly traded and therefore have no quoted market value. As a result, CIC has determined that it is not practical with sufficient reliability to fair value these investments.

7. Investments in Share Capital Corporations

(thousands of dollars)	Voting Percentage	2007	2006
Investment Saskatchewan Inc. (a):			
41,951,683 (2006 - 53,019,383) common shares	100%	**$ 419,517**	$ 530,194
NewGrade Energy Inc. (b):			
Nil (2006 - 100) Class Y voting participating common shares	-%	**-**	50,001
First Nations and Métis Fund Inc. (FNMF) (c):			
100 (2006 - 100) Class A common shares	100%	**-**	-
Due from First Nations and Métis Fund		**4,100**	4,100
		4,100	4,100
CIC Economic Holdco Ltd. (d):			
100 (2006 - 100) Class A common shares	100%	**-**	-
Due from CIC Economic Holdco Ltd.		**1,100**	550
		1,100	550
CIC Apex Equity Holdco Ltd. (e):			
100 Class A Common Shares	100%	**-**	-
Due from CIC Apex Equity Holdco Ltd.		**5,305**	-
		5,305	-
		430,022	584,845
Write down of investments:			
Investment Saskatchewan Inc.		**(152,725)**	(152,725)
NewGrade Energy Inc.		**-**	(50,001)
		$ 277,297	$ 382,119

7. Investments in Share Capital Corporations (continued)

a) CIC owns 100 percent of the outstanding common shares of Investment Saskatchewan Inc. On September 3, 2003, Investment Saskatchewan Inc. was designated as a Crown Corporation to which provisions of **The Crown Corporations Act 1993**, apply.

During the year, CIC retracted 11,067,700 shares of Investment Saskatchewan Inc. for proceeds of $110.7 million.

b) On November 1, 2007, CIC sold its 50 per cent interest in NewGrade Energy Inc. to Consumers' Co-operative Refineries Limited for net proceeds of $383.1 million, generating a gain on sale of $383.1 million.

c) CIC holds 100 percent of the Class A voting common shares of FNMF. FNMF was established on May 9, 2006 to provide venture capital to qualifying First Nations and Métis businesses in the Province of Saskatchewan.

d) CIC, through its wholly-owned subsidiary, CIC Economic Holdco Ltd., entered into a joint venture agreement with Saskatchewan Entrepreneurial Fund Joint Venture (SEFJV). The SEFJV was established on April 24, 2006 to operate as an institutional investment fund focusing primarily on investment in Saskatchewan and the creation of employment and economic growth and expansion of the small business sector in Saskatchewan. CIC Economic Holdco Ltd. holds a 45.5 per cent joint venture interest in SEFJV.

At December 31, 2007, CIC Economic Holdco Ltd. had net assets of $1.0 million (2006 - $0.5 million) and recorded net losses of $37.0 thousand (2006 - $109.0 thousand). CIC has invested $1.1 million (2006 - $0.5 million) in capital in SEFJV through CIC Economic Holdco Ltd.

e) CIC, through its wholly-owned subsidiary, CIC Apex Equity Holdco Ltd., entered into a joint venture agreement with Apex Investment GP Inc., PFM Capital Inc., Conexus Credit Union 2006, Cornerstone Credit Union and Innovation Credit Union to establish Apex Investment Limited Partnership (APEX). APEX was established on February 1, 2007 to focus on debt and equity investments in Saskatchewan small and medium-sized businesses. The objective of APEX is to realize long-term capital appreciation from its investments. CIC Apex Equity Holdco. Ltd. holds a 60 per cent joint venture interest in APEX.

At December 31, 2007, CIC Apex Equity Holdco Ltd. had net assets of $6.9 million and recorded net earnings of $1.1 million. CIC has invested $5.3 million in capital in APEX through CIC Apex Equity Holdco Ltd.

f) The securities of Investment Saskatchewan Inc., FNMF, CIC Apex Equity Holdco Ltd. and CIC Economic Holdco Ltd., are not publicly traded and therefore have no quoted market value. As a result, CIC has determined that it is not practical with sufficient reliability to fair value these investments.

8. Equipment

(thousands of dollars)	2007			2006
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Equipment	**$ 1,196**	**$ 860**	**$ 336**	$ 513

9. Equity Advances

CIC does not have share capital. However, CIC has received advances from the GRF to form its equity capitalization. The advances are an equity investment in CIC by the GRF.

10. Commitments and Contingencies

a) CIC has indemnified the Government of Canada for their guarantee of NewGrade's long-term debt, to a maximum of $275.0 million. The fair value of the guarantee is $Nil (2006 - $9.2 million).

b) CIC and Consumer's Co-operative Refineries Limited (CCRL) entered into an agreement whereby CIC has agreed to provide up to $5.0 million of grant funding towards CCRL's research, development or implementation of technologies that reduce its greenhouse gas emissions.

c) CIC has guaranteed the annuities for the Retirement Annuity Fund portion of the Capital Pension Plan. CIC does not expect any exposure under this guarantee in 2007.

d) CIC has committed to invest up to $20.0 million in the First Nations and Métis Fund Inc. until 2009. At December 31, 2007, CIC has invested $4.1 million (2006- $4.1 million).

e) CIC has committed to invest up to $25.0 million in the Saskatchewan Entrepreneurial Fund Joint Venture. At December 31, 2007, CIC has invested $1.1 million (2006 - $0.5 million).

f) CIC has committed to invest up to $60.0 million in the Apex Investment Limited Partnership. At December 31, 2007, CIC has invested $5.3 million.

g) CIC has committed to provide up to $25.5 million in funding to Saskatchewan Transportation Company for the construction of a new head office and bus terminal in Regina. Total funding provided to Saskatchewan Transportation Company to December 31, 2007 was $18.9 million (2006 - $5.2 million).

h) CIC has committed to fund TransCanada Energy Inc. a forgivable loan up to $26.0 million. The funding is expected to occur through 2008, and is expected to provide numerous economic and environmental benefits including the supply of electrical power and reliable product streams to off-takers through the gasification of hydrocarbon feedstocks.

11. Dividend Revenue

Dividend revenue consists of the following (thousands of dollars)		2007		2006
Saskatchewan Power Corporation	**$**	**97,009**	$	60,232
SaskEnergy Incorporated		**53,000**		34,500
Saskatchewan Telecommunications Holding Corporation		**30,000**		50,000
Saskatchewan Government Insurance		**22,810**		33,866
Investment Saskatchewan Inc.		**10,310**		59,133
Information Services Corporation		**8,000**		-
NewGrade Energy Inc.		**-**		105,000
	$	**221,129**	$	342,731

12. Public Policy Expenditure

In November 2005, Cabinet announced a two-part plan to help Saskatchewan people reduce heating costs and share the benefits of increased revenues from natural gas. During the year, CIC provided $5.8 million (2006 - $4.1 million) to SaskEnergy to meet the directive.

13. Net Change in Non-Cash Working Capital Balances Related to Operations

(thousands of dollars)		2007		2006
(Increase) decrease in interest and accounts receivable	$	**(2,986)**	$	200
Decrease (increase) in dividends receivable		**43,509**		(76,197)
(Decrease) increase in accounts payable		**(1,411)**		175
	$	**39,112**	$	(75,822)

14. Related Party Transactions

Included in these non-consolidated financial statements are transactions with various Saskatchewan Crown corporations, ministries, agencies, boards and commissions related to CIC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions and amounts outstanding at year end are as follows:

(thousands of dollars)		2007		2006
Category (as per financial statements)				
Accounts receivable	$	**223**	$	16
Accounts payable		**745**		1,638
General, administrative and other expenses		**2,797**		2,335
Other revenue		**48**		51

In addition, CIC pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

CIC provides management services to First Nations and Métis Fund Inc., Gradworks Inc., CIC Economic Holdco Ltd., CIC Apex Equity Holdco Ltd., and Saskatchewan Government Growth Fund Management Corporation without charge.

These non-consolidated financial statements and the notes thereto separately describe other transactions and amounts due to and from related parties and the terms of settlement.

15. Pension Plan

CIC's employees participate in the Capital Pension Plan (the Plan), a defined contribution pension plan which is administered by CIC. CIC's contributions to the Plan include making regular payments into the Plan to match the required amounts contributed by employees for current service. The total amount paid to the Plan for 2007 was $375.5 thousand (2006 - $329.1 thousand). Included in the Plan is a Retirement Annuity Fund (the Fund). The Fund provides retirement annuities at the option of retiring members of the Plan. An actuarial valuation of the Fund is performed annually. The assets of the Fund at December 31, 2007 exceed the actuarially determined net present value of retirement annuities payable.

16. Subsequent Event

On February 6, 2008 it was proclaimed by Order in Council 83/2008 that the **Saskatchewan Gaming Corporation Amendment Act, 2007** will come into force on April 1, 2008. The Act designates the Saskatchewan Gaming Corporation as a CIC Crown corporation and the Saskatchewan Gaming Corporation will therefore be consolidated into the financial statements of CIC.

Glossary

Accumulated other comprehensive income
Comprises the accumulated balance of all components of other comprehensive income, being revenues, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles, are recognized in comprehensive income, but excluded from net income.

Capital resources
The funds that have been invested in and loaned to the corporation to allow it to carry out its operations and investment activities. A corporation's capital consists of its debt and equity.

Capital structure
The relative percentage or weighting of debt compared to equity for a corporation. The ideal capital structure for a corporation is usually specific to its industry and depends on factors such as the level of capital assets required to maintain operations, the cost of borrowing, the risk associated with the industry, and shareholder expectations.

Cash flow return on equity
A measure of profitability used to evaluate the Province's investment in CIC. It is based on the cash return (e.g., dividend) provided to the owner and is calculated as dividends paid to the GRF divided by the Province's equity.

Comprehensive income
The change in equity (net assets) of an enterprise during a period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners.

Debt ratio
Measures the per cent of debt in the overall capital structure of an organization and is used to evaluate its financial flexibility. It is calculated as total debt from ongoing operations (long-term debt plus long-term debt due within one year plus notes payable) divided by the corporation's capital (debt plus average equity).

Derivative
A contract or security that obtains its value from price movements in a related or underlying security, future or other instrument or index.

Dividend capacity
The financial ability that a firm has to pay dividends. Dividend capacity is determined by identifying cash sources from operations, analyzing reinvestment needs and the target capital structure, and then determining surplus cash.

Dividend payout rate
The percentage of earnings that has been paid out as dividends.

Forward contract
A contractual commitment to buy or sell a specified currency at a specific price and date in the future.

General Revenue Fund (GRF)
The GRF is a special purpose fund that the Government uses to pay for most of the programs it provides. It is the Government of Saskatchewan's central accounting entity where all public monies are deposited to and disbursed from, as authorized by the Legislative Assembly.

Minimum capital test (MCT)
The minimum capital test is a capital adequacy test widely used in the insurance industry and indicates capital available to pay claims compared to capital required.

Option
A contract that grants the right, but not the obligation, to buy or sell a commodity or financial instrument at a specified price at a point in time during a defined period.

Other comprehensive income
Comprises revenue, expenses, gains and losses that, in accordance with primary sources of generally accepted accounting principles, are recognized in comprehensive income, but excluded from net income.

Performance Management Plans
Plans that are developed by each Crown corporation detailing key strategic priorities, measures and targets for a given year. They are also referred to as business plans, and typically include the corporation's budget for the year.

Return on equity
A measure of profitability that relates a company's earnings to the investment by its owners. It is calculated as net earnings divided by the average shareholder's equity.

Significant transaction
Significant transactions are those judged by a Crown corporation to be sensitive and likely of interest to legislators and the public; or where the transaction is both material and outside the ordinary course of business and involves:

- the acquisition of a major investment or asset, or the assumption of a major liability;
- a change in the terms and conditions governing an existing investment or asset; or
- the divestment of a major asset or investment.

Sinking fund
An account held for the specific purpose of paying down an existing debt instrument (e.g., loan) that has a maturity date in the future. Money is placed in the fund over the period which the debt is held, and then used to pay off the debt at its maturity. Sinking funds are recorded as investments for financial reporting purposes.

Swap
A contractual agreement to exchange a stream of periodic payments with a counterparty.

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